

ANTICIPATED NOMINATION OF MICKEY KANTOR

Y 4.F 49:S. HRG. 103-12

Anticipated Nomination of Mickey Ka...

HEARING BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE ONE HUNDRED THIRD CONGRESS FIRST SESSION ON THE ANTICIPATED NOMINATION OF MICKEY KANTOR, U.S. TRADE REPRESENTATIVE DESIGNATE

JANUARY 19, 1993



Printed for the use of the Committee on Finance

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NOMINATION OF MICKEY KANTOR, U.S. TRADE REPRESENTATIVE DESIGNATE

TUESDAY, JANUARY 19, 1993

**U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.**

The hearing was convened, pursuant to notice, at 10:00 a.m., in room SD-608, Dirksen Senate Office Building, Hon. Daniel Patrick Moynihan presiding.

Present: Senators Baucus, Boren, Bradley, Pryor, Riegle, Rockefeller, Daschle, Breaux, Packwood, Dole, Danforth, Chafee, Durenberger, and Grassley.

Also present: Senators Conrad, Sasser, Bond, Feinstein, Boxer, and Mathews.

[The press release announcing the hearing follows:]

[Press Release No. M-4, January 15, 1993]

CONFIRMATION HEARING SCHEDULED FOR MICHAEL KANTOR

WASHINGTON, DC.—The Senate Finance Committee will hold a confirmation hearing and executive session on the nomination of Michael Kantor to be United States Trade Representative.

The meeting will be at *10 a.m. Tuesday, January 19, 1993* in room SD-608 of the Dirksen Senate Office Building.

OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, A U.S. SENATOR FROM NEW YORK

Senator MOYNIHAN. A very good morning to our distinguished introducers and our distinguished witness and his family and to the general public.

I regret that we are not able to provide seats for all of the members of the press who would wish to be here. And they are outside. This is not our regular hearing room. And perhaps there will be some rotation as we go forward.

And I am sure that our nominee will be happy to stay and speak to those members of the press who have not been able to come in. He can stay afterwards.

Mr. KANTOR. I would be happy to, Mr. Chairman.

Senator MOYNIHAN. Thank you, sir.

This is a regular meeting of the Committee on Finance of which the chairman continues, of course, to be Senator Bentsen, who is also the nominee for Secretary of the Treasury. And in his absence, I will serve as acting chairman.

Could I say to my fellow members of the committee that as soon as we get a quorum of 11, we will request, if we can, to vote on

the nominations of Secretary Shalala and Deputy Secretary Altman?

And so when we see it, we will go ahead, if that is agreeable to you.

A very good morning again. An unprecedented number of Senators are here to voucher for the nominee.

And in the order of time of arrival in this institution, Senator Sasser of Tennessee. We welcome you, sir. Perhaps you would begin to introduce your friend and the President-elect's nominee.

STATEMENT OF HON. JIM SASSER, A U.S. SENATOR FROM TENNESSEE

Senator SASSER. Thank you very much, Mr. Chairman.

I want to say that it is a very distinct pleasure for me to appear before this committee with the new acting chairman firmly in place. And I look forward to the day very shortly when the acting chairman can strike the acting and become the full chairman of this very powerful and influential and important committee of the United States Senate.

Mr. Chairman and members of the committee, it is really a distinct honor for me to appear here today with Mickey Kantor. It may come as some surprise to members of the committee to know that Mr. Kantor, who now hails from California, is really a native son of the State of Tennessee.

Mickey Kantor was raised in Nashville, TN. He comes from a very respected and distinguished family in Nashville. His father, Henry Kantor, ran a furniture store in Nashville and served on the City Council of Nashville, TN, and was a very courageous and progressive city councilman leading the fight for civil rights in that city in the 1950's when it was not a popular cause, I might say, in a southern city.

Mickey Kantor attended Vanderbilt University, which I say with great pride, Mr. Chairman. It also happens to be my alma mater. He received his degree in 1961, some years after I received mine, and served 4 years as a lieutenant in the United States Naval Reserve. He earned his law degree from Georgetown University in 1968.

We are familiar, I think all of us, with Mr. Kantor's history, but after leaving Georgetown Law School, he went to Florida and began representing migrant workers there in cases, seeking to guarantee them certain civil and economic rights.

And he has since that time accumulated a very commendable list of political, civil, and legal accomplishments. I think you could say that Mickey Kantor has always been drawn to the big challenge and he has always succeeded.

He is a tenacious and disciplined advocate, but more than anything else, I think Mickey Kantor has a reputation as a consummate negotiator. And I think such talents are desperately needed for the critically important post of U.S. Trade Representative.

Mr. Chairman and members of the committee, I believe that with Mickey Kantor at the helm of the U.S. Trade Representative's office, this Nation will get a coherent, sensible, and effective approach to trade negotiations.

I think that you will find that he does not bring ideological pre-conceptions to the job. He will not bring a fixed agenda, but what he will bring is a firm but fair search for balance and for the middle ground and for fair treatment for United States' business people and products manufactured here in the United States. He will open markets. He will not close the door to them.

And I think something that we should remember in this very, very important and critical post as we approach the end of this century and the year 2000 is that Mickey Kantor will assume this post, if confirmed by this committee and by the Senate, with the full confidence of President-elect Clinton.

And when our trading partners sit down at the trade negotiating table with the U.S. Trade Representative, they will know that Mickey Kantor has the ear of the President of the United States and that the President is supporting him 100 percent.

I think that will strengthen his hand immensely in very critical negotiations that are going to take place in the future.

Mr. Chairman, I have an additional statement in support of Mr. Kantor, but in the interest of time and not to impose upon the patience of my colleagues, I ask that the remainder of my statement be put in the record, but I would urge swift confirmation of Mr. Kantor.

I thank you, Mr. Chairman.

Senator MOYNIHAN. Mr. Sasser, you could have hardly been more persuasive in what you did say. And we will, of course, include your further statements in the record.

[The prepared statement of Senator Sasser appears in the appendix.]

Senator MOYNIHAN. Senator Bond, you are here in the capacity of a friend. You are always welcome in our committee. Good morning, sir.

STATEMENT OF HON. CHRISTOPHER S. BOND, A U.S. SENATOR FROM MISSOURI

Senator BOND. That is correct.

Mr. Chairman, Senator Packwood, and members of the committee, I am here because for over 25 years, I have been a close friend of the nominee, Mickey Kantor. Our friendship began in the late 1960's when, because of his great athletic ability, I recruited him as a ringer on a softball team.

And I will tell you that his negotiating skills were very strong at the time. And I had to pay a heavy price. [Laughter.]

I got to know him first because of his athletic ability. And I developed a friendship with him. And we saw Mickey and his first wife frequently. I came to be greatly impressed with his knowledge, his intellect, his dedication, and his commitment to those causes in which he had great belief.

To reassure my friends on the majority side, I must tell you that Mickey Kantor and I almost always disagree on politics. [Laughter.]

Nevertheless, I can tell you that he is a man whose judgment I greatly respect. And I would tell my friends on the minority side that he is a man with whom you can discuss and reason with on

issues of great importance. I believe that he will be a very forceful and persuasive negotiator.

I think that the President-elect has obviously shown his great commitment to and belief in Mr. Kantor by nominating him for this position. And I would encourage my colleagues to give strong support to this nomination.

Senator MOYNIHAN. Thank you, Senator. I cannot recall a nominee who had five Senators coming forward from both sides.

Senator BOND. I had passed up the opportunity to comment as I asked Mickey whether he needed them, but I think that certainly I speak strongly for him as do the others.

Senator MOYNIHAN. You certainly have done so, sir.

Senator Feinstein.

**STATEMENT OF HON. DIANE FEINSTEIN, A U.S. SENATOR
FROM CALIFORNIA**

Senator FEINSTEIN. Thank you very much, Mr. Chairman.

I appreciate the opportunity to say a few words on behalf of Mickey Kantor who has been selected to lead our country during a new era of trade as our U.S. Trade Representative.

As we work in the global marketplace, it is also important that we work to achieve a level playing field among all trading partners.

I do not want as a Senator from California for this country to have a trade negotiator that is going to make us a paper tiger. I want someone who is going to be strong, who is a forceful advocate, who will do his homework, and do it well. And I believe that person is Mickey Kantor.

We all know that when it comes to trade, there are hidden restrictions and there are all kinds of ways that we have been disadvantaged in the past. We know about governments that subsidize their industries and we know where we do not and we know we cannot compete.

If we are going to have free trade, it is the job, I believe, of a trade negotiator to achieve a level playing field for the United States of America.

A lot of people have complained, "Well, Mickey Kantor has no background in the trade field." Mickey Kantor is a fast study. He is a forceful advocate. He will learn fast what he needs to know.

More importantly to me is what he will do with what he learns and how he will make the case for America in these negotiations.

And I think that the decades of the 1990's, thanks to Mr. Kantor and his staff, will be to create that level playing field so that the products of our country can be received in other countries.

Representing the largest State in the Union and the State with the largest production of products, it is critical that our trade representative knock down some of the hidden trade restrictions and enable us to sell our products fairly abroad.

I have known Mr. Kantor for several years. And I know him to be tenacious, and forceful. He is bright. He is as bright as they come.

And I would hope that this committee would expeditiously confirm Mickey Kantor because I believe, when you do, we are not going to be disappointed in the results.

Thank you, Mr. Chairman.

Senator MOYNIHAN. Thank you, Senator Feinstein.

And I think it is the case, is it not, that in terms of trade now, the trans-oceanic trade, most of it is now trans-Pacific?

Senator FEINSTEIN. That is correct. The largest trading field in the world today.

Senator MOYNIHAN. There you are.

And your colleague, Senator Boxer, I am sure would want to add to that.

STATEMENT OF HON. BARBARA BOXER, A U.S. SENATOR FROM CALIFORNIA

Senator BOXER. Thank you very much, Mr. Chairman.

In the interest of time, I would ask that my statement be included in the record.

Senator MOYNIHAN. Of course.

[The prepared statement of Senator Boxer appears in the appendix.]

Senator BOXER. And I will add a few words, I hope helpful words, about Mickey Kantor and say farewell to my colleague who, for the moment, is going to make history at the Judiciary Committee today. [Laughter.]

So I am very excited about that. [Applause.]

Mr. Chairman Moynihan and my own chairman, Mr. Baucus, and members of the committee, it is a delight to be here to add my few words on behalf of a great nominee here.

Many of us have been on trade missions. I have as a member of the House. It is very tough. You sit across from people who are very tough. And they shake their head yes. And then, nothing happens.

We need someone who is going to be as tough as they are. We need someone who is going to be as smart as they are. And I have to tell you, you have such an individual in Mickey Kantor.

And I think in the course of your questioning of him, in the course of his opening statement, you will quickly have that sense of confidence that those of us who know Mickey in California have.

And we will share our optimism that we are going to see a new kind of fighting spirit in that office with Mickey Kantor there as the advocate for America.

Let me just tell you, I think you already know that Mickey Kantor is a very prominent attorney. He has had a very successful career there, but many of you may not know his public service. And I am going to just quickly mention those things.

He is well known as an advocate for the poor and migrant worker communities. He has served the less fortunate in various capacities, including associate director for the National Legal Aid and Defenders Association, deputy director and general counsel for the Migrant Research Project, and staff attorney for South Florida Legal Services.

So this is someone who has an historical commitment to the public good. And I think that is very important to his perspective because he is going to be a real fighter for jobs for us. And that is so crucial.

And we know what is facing Mickey Kantor if he is fortunate enough to get this job. And with your help, I think he will. He is facing NAFTA. He is facing GATT. These are very tough issues. I think you could not find anyone better or more suited.

I thank you very much for this opportunity to add my voice.

Senator MOYNIHAN. We thank you, Senator.

And now, to bring to a conclusion this unprecedeted array, Senator Mathews. We welcome you. I believe this is the first time you have appeared before our committee. We look forward to future occasions, sir.

**STATEMENT OF HON. HARLAN MATHEWS, A U.S. SENATOR
FROM TENNESSEE**

Senator MATHEWS. Thank you, Mr. Chairman.

It is my pleasure to be before this committee for the first time. And the duty that I have this morning is a pleasant one.

I have known and worked with Mickey Kantor closely during the last year. I have found him to be not only a compassionate person, but an effective person in terms of those responsibilities which he had.

My colleagues before me and particularly my senior Senator here from Tennessee, much more eloquently than I could ever do, said to you and brought to your attention those qualities and the background of Mickey Kantor that brings him before you this morning.

Both Senator Sasser and I join him in being graduates of Vanderbilt University. Both of us join him in being attorneys, although he is an attorney of much more renown than I shall ever be. Both of us have a healthy respect for him and a healthy respect for the job which he is about to undertake with the blessing of this committee.

Senator Sasser mentioned something that I think I want to stress here as much as anything in the world. When you go to do a job, you need to go with the proper tools in hand.

When the President sends a person on a mission, the people with whom he comes into contact and the people with whom he is going to be dealing need to know that when he returns home he will be able to complete the other side of the bargain, that he is not going to have to sell both ends of the bargain. And I think those are the credentials with which Mickey Kantor comes before you today.

I would like to enter into the record my statement, and I would like to join my associates, my fellow Senators here this morning, and urge this committee to look favorably and act quickly on Mr. Kantor's nomination.

Thank you.

Senator MOYNIHAN. Thank you very much, Senator.

We will include those in the record. And we very much appreciate your testimony.

[The prepared statement of Senator Mathews appears in the appendix.]

Senator MOYNIHAN. It is the case with all of us today and in the next few days that we will be expected to be in many places at once.

We thank again your colleagues for their great courtesy. We will excuse them. And then we will hear from Mr. Kantor.

Mr. KANTOR, perhaps you will have the goodness to introduce to the committee your family whom some of us have met.

STATEMENT OF MICKEY KANTOR, U.S. TRADE REPRESENTATIVE DESIGNATE

Mr. KANTOR. Thank you very much, Mr. Chairman and Senator Packwood.

I appreciate that. I'd like to introduce to you my wife Heidi who is behind me—

Senator MOYNIHAN. Why don't you stand?

Mr. KANTOR [continuing]. My son Douglas and my daughter Leslie.

Senator MOYNIHAN. Daughter Leslie who works in Public Health in New York City.

Mrs. KANTOR. That is right.

Senator MOYNIHAN. There you are. [Laughter.]

Mr. KANTOR. And my son, Douglas, is in the Teach for America Program, Senator. He is teaching in Los Angeles.

Senator MOYNIHAN. I see.

Sir, you have a statement. Perhaps, you would proceed.

Mr. KANTOR. Thank you very much.

Senator Packwood, good morning and thank you, too, and distinguished members of the Senate Finance Committee.

First of all, let me thank Senator Feinstein, Senator Boxer, Senator Sasser, Senator Mathews, and Senator Bond. That was a wonderful display of friendship. And I appreciate that. They make me feel very humble as I come here today in support of this designation by the President-elect.

It is a tremendous privilege to appear before you today. I want to thank President-elect Clinton for giving me this honor to serve this administration and to serve my country, if recommended by this committee and confirmed by the U.S. Senate as U.S. Trade Representative.

This office has always had a special relationship to this committee and its House counterpart. I value that relationship and will work hard to enhance it.

I have been a practicing lawyer for nearly a quarter of a century. During that time, I have been involved in hundreds of negotiations on issues ranging from aerospace to transportation and from energy to retailing.

Over that same period of time, I have been involved in negotiations on behalf of migrant farm workers in Florida—the first time I met Senator Dole was in that connection—and served as a presidential appointee to the Legal Services Corporation.

As founder and chair of the Los Angeles Conservation Corps, I devoted my energies to a tough program of discipline and opportunity for young people left out of the mainstream, but eager to work.

In addition, I supported the legal and educational needs of Hispanic Americans as a board member of the Mexican-American Legal Defense and Education Fund.

Most recently, I have had the pleasure of serving with my good friend and one of America's most distinguished public servants, Secretary of State-designate Warren Christopher, as a member of the Christopher Commission, investigating the policies and practices of the Los Angeles Police Department.

I have devoted my life as a lawyer and as a civic leader to bringing people together, to building coalitions that serve the public interest.

As the U.S. Trade Representative, I believe that I can effectively build upon that record to develop coalitions that will result in clear and consistent trade policies, policies that benefit the citizens of this country.

Those coalitions must be bipartisan. We must develop them together. Trade policy does not lend itself to partisan solutions, Mr. Chairman, or stand apart from economic policy. And I want to assure you that this new administration will not stand apart from Congress.

I pledge to work with the members of this committee, with all of the Members of the 103rd Congress, and with the private sector to ensure that our trade efforts will empower our citizens to compete and win in the global marketplace.

As this committee knows very well, the incoming administration faces an extraordinary array of challenging trade issues. I think you will understand that we have not yet formulated our policies toward many of these issues and want to do so in consultation with you.

There are several key principles that guide my thinking in the approach of the Clinton administration, the trade issues that will confront us. Our trade policy must be part of a coordinated and integrated economic strategy.

No amount of negotiating, bilaterally or multilaterally, can overcome or offset the burdens placed on U.S. companies from misguided economic policies or uncontrolled health care costs, nor are trade negotiations a substitute for educating our children or training our workers.

The Clinton administration will not blame other countries for our own economic shortcomings. We will not solve those problems overnight, but we will deal with them aggressively and forthrightly.

Trade policy is not the only reason that we are failing to meet the challenge of global competition, but it is still a very important factor. This new administration will favor increased trade.

We believe it is vital for a growing U.S. economy. And I think recent statistics in recent years would bear that out, but the days when we could afford to subordinate our economic interests to foreign policy or defense concerns are long past.

As President-elect Bill Clinton has noted time and again, our national security is directly related to our economic viability here at home. We will not be guided by the assumption that other nations share our commitment to free trade and open markets when the world evidence makes it clear that some do not.

We will insist that our trading partners join us in strengthening the international trading system. We will work to open foreign markets to U.S. manufactured goods, agricultural products, and services.

Our prosperity depends on a large part on our ability to export. Allowing other nations to close their markets provides them with an enormous competitive advantage in key sectors.

This committee was instrumental in the bipartisan effort spanning 6 years to put in place a more realistic, effective trade policy.

I pledge to you that I will use the tools you have given this office to protect and advance U.S. interests.

There is nothing academic or theoretical about the job I will undertake, if you support my confirmation.

In my visits with the Senators on this committee, each one of you, I benefited from your knowledge of our trade and economic problems. Each of you painted a vivid picture of our country suffering from a loss of jobs and economic opportunities.

I traveled all over this country during the campaign that just ended. And I want to assure you that I have seen that pain, too.

I will not be able to satisfy all of you, all of your constituents, all of the time—far from it. I think I am a realistic person, but I hope you will know that I understand just what my efforts and those of the Clinton administration mean to the people you represent.

I pledge to carry out my responsibilities diligently to develop U.S. international trade policies and conduct trade negotiations. I will aggressively urge our trading partners in Europe, the Pacific Rim, and elsewhere to open their markets to American goods and services.

Specifically, I will urge other countries to reduce their tariffs and other barriers to market access in the ongoing Uruguay Round.

The United States must also maintain its ability to respond effectively to unfair foreign trade practices, such as dumping and subsidies.

I will move forward to negotiate the agreements that President-elect Clinton has called for as supplements to the North American Free Trade Agreement. The supplemental agreements will deal with the environment, workers' standards and safety, and overwhelming import surges.

The NAFTA and GATT negotiations are only a part of a wide array of pressing international trade issues that await the Clinton administration.

The United States must respond to the new Utilities Directive of the European Community that went into effect January 1st, as all of you know.

We have ongoing antidumping and subsidy cases against imported steel from virtually all major U.S. trading partners. Twenty countries are involved in that situation.

High on our agenda with Japan must be Japan's adherence to the Semiconductor Agreement, Japan's voluntary export restraint for Japanese automobiles, and the continuing large Japanese trade surplus with the United States. And we must address the upcoming renewal of MFN treatment for the People's Republic of China.

I will move to carry out another important responsibility of the U.S. Trade Representative: To enforce a variety of U.S. laws and international trade agreements. The most notable of these laws is Section 301.

If another country is violating a trade agreement with us or engaging in unjustifiable, unreasonable, or discriminatory practices; then, the U.S. Trade Representative can investigate and negotiate with the other country.

I see this and other laws as among the many tools that we can draw upon to help open foreign markets for U.S. exports.

Mr. Chairman, I also want to directly address the issue of the ethical and professional standards which will be defined and met, not just by this office, but throughout this new administration.

We campaigned throughout the country on the promise of change. Change in this context means we will slam the revolving door shut.

Like my colleagues, I have taken formal steps to ensure that no prior affiliation or representation will affect my independent judgment or create even the appearance of conflict. These recusals are specifically designed for the office for which I am being considered. They are particularly appropriate in light of Ambassador Hills' pledges 4 years ago.

I withdrew as a partner from the firm of Manatt, Phelps, Phillips & Kantor as of December 31, 1992. My name has been removed from the name of the firm.

During my tenure as the U.S. Trade Representative, I pledge to have no professional contacts with members or employees of my former law firm. I have also resigned from all boards—all of which, by the way, are nonprofit—on which I am a member.

For a period of 1 year, I will recuse myself from any transaction or matter which would have a unique and special effect on any entity that has been a client of my firm at any time during the past 2 years.

I will permanently recuse myself from any particular transaction or matter involving a client which my former firm has represented concerning that transaction or matter during my association with the firm.

I will also permanently recuse myself in any particular matter for which I served as counsel while in private practice, although I do not anticipate that any such matter would arise before the U.S.T.R.

However, unless there is some unique and special effect on the client involved, I shall not recuse myself on trade or policy matters which affect the overall industry or industries of which any of the above clients is a part.

Mr. Chairman, before I conclude this brief opening statement to respond to questions which you and your colleagues may have for me, I want to express my deep appreciation to a few very special people in my life, some of whom you met just a few minutes ago.

It was a privilege and a once-in-a-lifetime experience to serve as the campaign chair for the President-elect. The Kantor family has been blessed by the friendship of Bill and Hillary Clinton for nearly 14 years. No aspect of this nomination could make me prouder than the President-elect's confidence and trust in me.

Like the Vice President-elect, I am a son of the State of Tennessee, as Senator Sasser said to you. I grew up in a family that admired and supported the Gore family.

I want to express my thanks to Vice President-elect Gore here in this chamber where he and his father before him served their country and brought such pride to those of us from Tennessee.

I could not be sitting before you today without the strength, commitment, support, and, yes, love of my wife, Heidi and my three children: Leslie and Douglas, whom you have met, and Alix—who decided it was more fun to play with her friends this morning—who is 9 years old. No offense to the committee.

To them, I pledge to help in any and every way possible to make this country a better place for their future and for the future of every American family.

Thank you, Mr. Chairman.

Senator MOYNIHAN. Thank you, Mr. Kantor, for a most impressive statement. If you will allow us, sir, we will just move momentarily—I guess we do not yet have a quorum.

In that case, I see that the Republican Leader is here. I know that his day is going to be more than normally pressed. Perhaps you would like to begin.

Senator DOLE. We will stay for a quorum. Why don't you go ahead? And I will just wait.

Senator MOYNIHAN. That is very generous of you, sir.

I have some detailed questions, but first I will say, we welcome in particular your statement about consultation with this committee as the new administration begins a policy which will be both continuous and will have some discontinuities. There are commitments made about the North American Free Trade Agreement, for example.

The Office of Special Representative for Trade Negotiations was established by the Trade Expansion Act of 1962. And that legislation which led to the Kennedy Round, a prior condition for obtaining it—and it was very important to President Kennedy—was that we reach some arrangements on cotton textile imports.

And it was this committee that so decreed. And it happened that I was the Assistant Secretary of Labor. And I was one of the negotiators of that agreement, as was Secretary-designate Christopher in Geneva.

And I have to say, it was our strict understanding that the long term we referred to meant perhaps 5 years. And that was 30 years ago. And these agreements are still in place. It must be five agreements now.

We would not have had that Trade Expansion Act without those restraints on certain kinds of imports that in the real world were necessary for this committee to get the President the bill he wanted.

And so that is the experience that we have had before. I mean, it is the basis, the founding experience of your office.

Technically, your office was created by executive order by President Carter in 1979. And you have a right honorable set of predecessors, including Ambassador Hills who had a wonderful record.

I think we would all agree that Ambassador Hills came up here and talked to us in our conference room. And I think it helped a great deal. And I am glad to hear you act as if you expect it to continue.

Senator Packwood.

Senator PACKWOOD. First, I ask unanimous consent that Senator Durenberger might submit some questions by 5:00 o'clock?

Senator MOYNIHAN. Without objection.

[Senator Durenberger's questions appear in the appendix.]

Senator PACKWOOD. Mr. Kantor, when you were in my office, I told you that you and the OMB director have the two toughest jobs. That poor devil has to say no to everybody. You have to say no to half the people who will come to you. You can please some, but not others.

I think this committee would expect you to do everything you can to enforce our antidumping, countervailing duty and our 301 laws and do everything you can to knock down subsidies in foreign countries and open up markets. That goes without saying, that is part of your job.

I do not think that is the toughest part of your job. I think it is the negotiation of the agreements that will be good for America. Some groups will think they will lose, some will win.

Example, the chairman mentioned the multifiber agreement. I will make you this bet. If you can get a free trade agreement in the world that covered all agriculture and all textiles, that would be very good for the United States. But my guess is, the textile industry would oppose it. No matter that we would increase our agricultural exports infinitely more than we would increase our textile imports.

They would say, "What is good for the country is not necessarily good for textiles. And we oppose it." And I do not know how even the world's greatest negotiator is going to placate them, given that situation.

Now, with that statement, I want to ask your opinion, not what does President-elect Clinton think, but what are you going to advise him on: one, fast track authority?

It is going to expire this June. Whether or not we finish the GATT negotiations by that time, I doubt it. And if we are going to continue it, you are going to want it for GATT, but it applies to all negotiations.

What would be your recommendation to him to reenact and extend to the fast track negotiation authority as it now exists?

Mr. KANTOR. First of all, as you know, Senator—and I appreciate your questions—we have to make a decision on fast track authority no later than March 2nd because that is 90 days before the May 31 deadline, as you correctly pointed out.

Fast track authority is important to any negotiator in this job in this position because it says to the person on the other side of the table or to persons in a multilateral situation that you do not have to negotiate twice. In most cases, it will be once. And that has been a problem in the past.

And I understand that there is something to delegate in this body and the other body, but I think it has, in fact, been effective over the years.

We have to make a decision whether or not, given the pendency of the Uruguay Round, as you correctly pointed out, we will have to ask for an extension of fast track authority.

I would like to consult with the committee closely on that before I advise the President-elect and, of course, the Ways and Means

Committee and other relevant committees of this body in the House.

I think it would be unwise to move forward until those consultations take place, but I will assure you that that will happen very quickly.

It is fast upon us. And I think we have to make some judgments very quickly as President-elect Clinton becomes President Clinton tomorrow at noon, and hopefully, this designee becomes U.S. Trade Representative on Thursday morning.

Senator PACKWOOD. Let me ask the question in a different way. I once asked the CIA if Israel had aerial photographs when they bombed the Baghdad reactor. And they said it was classified information. They could not give it to me.

I then asked them if Israel would have attempted the raid without aerial photographs. And they said, "No. They would not have." [Laughter.]

Is it your intuitive judgment that you would not be able to negotiate very good agreements unless you have fast track authority?

Mr. KANTOR. It is more than intuitive judgment. I think the record will reflect that other negotiators from Ambassador Strauss to Ambassador Hills—both of them are friends of mine—would indicate quite clearly that it is an important asset to have.

Senator PACKWOOD. Second question, what would be your recommendation to President-elect Clinton on reclassifying imported minivans as trucks and raising the tariff from 2.5 to 25 percent?

Mr. KANTOR. Well, I will be one of the persons on the National Economic Council Executive Committee who will make a recommendation, along with the chairman of this committee, Senator Bentsen, hopefully the next Secretary of the Treasury—and I think that his confirmation is a foregone conclusion—to reach that decision.

Obviously, the reclassification of minivans in the prior administration led to some controversy and maybe cost as much as \$300 million to the Treasury of the United States.

It is a problem that we will address very soon, as Secretary-designate Bentsen indicated in his appearance before this committee, early on.

Senator PACKWOOD. Do you have an intuitive feeling about this question?

Mr. KANTOR. I have intuitive feelings, but I am going to save those for our first meeting of the NEC. And I will consult with this committee after that and hopefully gain some of your wisdom and some of your guidance as we approach that problem.

Senator PACKWOOD. Are you familiar with the softwood lumber dispute we are having with Canada? And the binational panel has now been set up.

Mr. KANTOR. Yes, I am, Senator.

Senator PACKWOOD. There is some feeling on both sides that the binational panel is going beyond its scope of authority in getting into countervailing duties and judging the laws of each country.

I just want to know if you are aware of it, and what do you think ought to be done to keep the panel within the scope of its intended authority?

Mr. KANTOR. Well, that leads into, if I may say so, a larger question about our antidumping laws, countervailing laws, the Uruguay Round, other bilateral-binational panels. We do not want to weaken those laws.

I have a strong feeling about that. And anything that would do that is something that I would recommend to each of you and to the President-elect of the United States that we take a position against.

I think it is a particularly sensitive issue in the current Uruguay Round in the Dunkel draft or final agreement text. And it is something that I will look at carefully, assuming I am confirmed by the United States Senate.

Senator PACKWOOD. Thank you, Mr. Chairman.

Senator MOYNIHAN. Thank you, sir.

Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman.

Mr. Kantor, I very much appreciate your opening statement. I would like to underline the enormity of the task ahead of you.

As you well know, the U.S.T.R. is involved in dozens of very complex, international trade negotiations with over 100 different countries. That has to be coordinated with other aspects of American economic policy, coordinated with the private sector.

You must, in addition to all of that, work with the Congress very, very closely. The fast track discussion is just an example of the complex relationship in our country between the executive branch and the legislative branch.

And you must do all of this with just 125 professional people. It is an incredibly complex job ahead of you. Having said all of that, I know there are some people who question your background, who say you are inexperienced.

I frankly find all of that criticism utterly without merit. You have my full confidence. And I know you have the full confidence of our new President.

And I can tell you, as you well know, that our best and our brightest prior U.S.T.R.s also did not have trade experience. Prior trade experience is not a prerequisite for this job, rather it is intelligence.

It is very good negotiating skills with our trading partners, also, coordinating and working very closely with the Congress and other entities in our country and having the personality to do that.

And I can tell from talking with you that: (a) you are a tough negotiator; and (b) in the right circumstances, you are a nice guy. [Laughter.]

Now, having said that, I have a couple of questions I would like to ask you. Number one, you mentioned that you plan to fully enforce Section 301. You did not mention Super 301.

As you know, Mr. Clinton during the campaign strongly advocated the repassage, the extension of Super 301. I would like for you to reconfirm that now, if you could, please.

Mr. KANTOR. I will do that. First of all, I hope this is the right circumstance here, and I can maintain a solid posture in front of my adversaries.

It is a tough job, but then, the President-elect has never given me an easy job. I am still waiting for the first from him.

On putting people first, the President-elect did support and does support Super 301. He believes it has been effective. And so do I.

The authority for it ran out, as you know, in 1990. There are, I know, members of this body and the other body who would like to see it reinstated.

I think it would be an asset for the next U.S. Trade Representative. And I would like to work closely with this committee, with Members of this body and the other body in trying to develop legislation in that respect.

Senator BAUCUS. I appreciate that. As you know, it is obvious that our credibility as a country is of vital importance. When we reach an agreement with another country, our credibility very much depends upon the degree to which we want that agreement enforced, assuming that the other side is not living up to its end of the deal.

In that respect, I have introduced legislation in the past called the Trade Agreement Compliance Act. I would like your general view of that approach, if not that specific statute.

Mr. KANTOR. As I said in my statement, the enforcement of agreements is extremely important, not only the enforcement of our laws. The agreements are not just pieces of paper.

We should not spend so much time and effort and energy and emotion negotiating these agreements if we are not going to try to carry them out in every aspect.

And I think in the past, there have been instances—without criticizing anyone particularly—where we have ignored for various purposes those agreements.

And I would welcome the chance to sit down with you and discuss your legislation and discuss it with other members of this committee. I think we need to be resolute in enforcing those agreements and frankly, Senator, developing credibility with the American public, if we are going to do that.

I think nothing would be better for our ability to open markets than to be credible in showing that we will enforce existing laws and agreements.

Senator BAUCUS. And your general impression of the tentative agricultural agreements in the Uruguay Round. As you well know, during the period 1975 to 1985, the European Economic Community turned around from being the world's largest net importer of agricultural products to being the world's largest net exporter of agricultural products. Basically, it is a consequence of its CAP.

We in America then enacted trade legislation, including EEP, the Export Enhancement Program, et cetera, to counteract and deal with the very heavy European subsidies. As you well know, the Europeans' export subsidies last year were about \$11 billion total, whereas our total EEP program was about \$1 billion.

And our position as negotiators was 100 percent of reduction of export subsidies. And then we lowered it to 90 percent. And then, we ended up with 24 percent reduction in European export subsidies.

It means the Europeans will continue with roughly \$9 billion in export subsidies alone. We will have less than \$1 billion. Our whole farm program is less than \$20 billion. And their whole apparatus in agriculture is much more.

Your general impressions as to how well we did as a country in that agriculture negotiation of the Uruguay Round.

Senator MOYNIHAN. I am going to have to—

Senator BAUCUS. If I could just get his short response.

Senator MOYNIHAN. Sure.

Mr. KANTOR. I am deeply concerned and want to look carefully at that. Let me just indicate that it is not 24 percent, the Blair House Agreement. Senator, it is now down to 21 percent over 6 years.

And the agreement uses the 86–90 years as the starting basis. Therefore, it will have an exaggerated impact on U.S. agriculture. And I think we want to look carefully at that agreement.

We also have within the Dunkel text, the draft final agreement itself on internal support that supports the notion of a 20 percent reduction each year. I want to take a look at that very carefully as well.

Agriculture, as many of you know—you are experts up here, like Senator Dole and you live with it every day—represents about 10 percent, over \$40 billion a year in exports. It is a critical, critical part of our export strategy for this country.

And I think market access issues in the Uruguay Round with regard to agriculture concerns me as well. So you have market access. You have the subsidies, both export subsidies and internal support, as well as the Dunkel draft we should take a look at.

Senator BAUCUS. I appreciate that. I am very much looking forward to working with you. I wish you luck.

Mr. KANTOR. Thank you, Senator.

Senator MOYNIHAN. If the committee would allow a brief interruption.

[Pause]

Senator PRYOR. I must say, Mr. Chairman, that I spent 10 minutes downstairs sitting in the Judiciary Committee. I thought I was in the Finance Committee. So I apologize. [Laughter.]

We will get our regular hearing room back some day and I will know where I am I think.

Senator MOYNIHAN. Senator Packwood has indicated that he would be willing to have a vote on Mr. Kantor's nomination at this time.

We have heard your statement. We have had an exchange between two members from each side of the—we have no sides in this committee. We have had an exchange between two members.

If there is no objection, I would accordingly move that the committee recommend that the nomination of Michael Kantor to be United States Trade Representative be confirmed when received by the Senate. Is there a second?

Senator CHAFEE. Wait a minute, Mr. Chairman. I do not think this is the proper way to proceed.

Senator MOYNIHAN. The objection is heard.

Senator CHAFEE. I believe that these proceedings are not a charade. I think these hearings are worthwhile. And most of us have very little knowledge of Mr. Kantor. I think at the proper time after we have had a questioning of him, then we should vote on him.

Senator MOYNIHAN. Fine. May I say to my friend from Rhode Island that the suggestion was made from that side of the aisle.

Senator CHAFEE. Well, the chairman can expect perfection from this side usually, but not always. [Laughter.]

Senator MOYNIHAN. And the chair also said, "If there is no objection." And objection is heard. We will proceed with our regular hearing.

Senator Dole.

Senator DOLE. Mr. Chairman, thank you for sort of letting me sort of break in here. I would like to include my statement on the record.

I would like to indicate that I have visited with Mr. Kantor. We had a good visit with a mutual friend of many of us, Robert Strauss, a former U.S.T.R. who did a good job without much previous experience, as Senator Baucus has indicated.

And I also want to reflect for the record, I think Carla Hills has done an outstanding job, another Californian.

Senator MOYNIHAN. Can we vote on that?

Senator DOLE. Yes. [Laughter.]

But I think as someone has already stated, I think person for person, your agency has more impact on the economy than any other Federal agency. And it is a very small agency, which I think is a real opportunity for you, one of the most important jobs in this administration.

You are going to know everybody on a first-name basis. In some of these departments, you never know anybody because you see so many.

Also, your close relationship with the President-elect is going to mean that we are going to have direct access in most every case on very important trade issues.

As you pointed out, I think this committee has had over the years, pretty much, a bipartisan, nonpartisan relationship with the U.S.T.R. We have had off-the-record meetings with the U.S.T.R. Carla Hills and her predecessors are called by the chairman. I know that Senator Moynihan will continue that.

And so we look forward to working with you. I think it is a very important agency. I want to share the concerns expressed by Senator Baucus, and I know Senator Conrad, Senator Daschle, and others from farm States have concerns. There are a number of farm States represented on both sides of this committee.

We would rather have no agreement than a bad agreement. We are not quite as anxious as some to put initials on something until we make certain that it is not going to have an adverse impact on American agriculture because if you eat, you ought to worry about agriculture. If you do not eat, well, do not worry about the farmers, but most people eat.

So I ask that my statement be made a part of the record.

Senator MOYNIHAN. Without objection.

[The prepared statement of Senator Dole appears in the appendix.]

Senator DOLE. And then to follow up, I think you covered most everything in your statement on the question of ethics because there has been a lot of concern, some mixed signals from some in the incoming administration.

I would ask that I be permitted to present these questions. You can answer those in writing.

Senator MOYNIHAN. If that can be done by 5:00 o'clock today, sir.

Senator DOLE. They are right here.

Senator MOYNIHAN. They are right here.

And I note that Senator Daschle will have similar questions also by 5:00 o'clock.

[Senators Daschle's and Dole's questions appear in the appendix.]

Senator DOLE. Thank you, Mr. Chairman.

Senator MOYNIHAN. Thank you, sir.

And Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman.

First, let me say that I do not think that any problems are raised by any lack of direct experience in trade matters. Since I have been on this committee, there have been four trade negotiators, Bob Strauss, Bill Brock, Clayton Yeutter, and Carla Hills. And none of them to my knowledge had any substantial experience in trade matters. Perhaps Clayton Yeutter had, to some degree. So I know that as far as that goes, you will do an excellent job. And that is not a problem.

Now, Senator Sasser said earlier that you will bring a coherent strategy to trade. Could you tell me who is going to be in charge?

I have read about this new National Economic Council which you yourself referred to in a previous answer. You said that you will be consulting with this council. That is going to be headed by Mr. Ruben. I suppose the Secretary of Commerce also will be in on this group.

Can you tell us how this is all going to work? Who is going to be in charge? My concern is that when everybody is in charge, nobody is in charge.

Mr. KANTOR. I think that is correct. And like you, Senator, I do not want to be held to that standard of perfection also, but I think I can hopefully give you an answer to that question that will clear it up.

As you know, the President-elect fully intends that I will carry out the dictates of the law as supported by this committee. I will coordinate trade policy. I will speak for the new administration on trade.

I will negotiate trade agreements, but as you know, each of the issues which I face—whether it is the multilateral steel agreement which will come up very quickly right now as we face the anti-dumping cases where a preliminary decision is due on January 26 or when we face other matters, such as MFN status for China, which we have to face in April if we are going to address it in the June timeframe—cuts across a number of agencies of the U.S. Government.

As you well know, Senator, better than I, those two issues cut across State and Commerce and Treasury and in Agriculture, as we spoke about earlier with Senator Baucus and Senator Dole.

So therefore, to coordinate the decision-making with the Trade Policy Review Group, which I am sure you are familiar with, if the deputy level cannot reach a decision, we will have the National Economic Council to bring the Cabinet secretaries together to have a coordinated and comprehensive administration approach.

I will bring to that council, not only my leadership in the trade area, but also my consultations with all of you, the Ways and Means Committee and those of your colleagues in both bodies, in order to try to bring some sort of balance to how we approach these decisions.

The fact is, the NEC in this area takes the place of where the Bush administration had what they called a Policy Review Group which did the same thing frankly with regard to trade in the Bush administration when the Trade Policy Review Group could not reach decisions.

So therefore, we have to have a coordinating body to go to. I will be the leader in that area and coordinate policy. I will have, as stated before, direct access to the President-elect in discussing these issues, but they cannot be discussed out of context because other Cabinet secretaries have significant responsibilities in the area of trade.

And it would be foolish on my part not to have full consultation and coordination. And then, I will carry the load in terms of advocating the policy that the President-elect then decides will be the policy of the U.S. Government.

Senator CHAFEE. Let me ask you another question. You are going to hear a lot of suggestions and possibly from some members of this committee, that there is something inherently evil when another country has a vast trade surplus with us.

Somehow the very fact of that surplus is equated with unfairness. Yet, it does not seem to work the other way. When we have a substantial trade surplus with another Nation, that is not evil. Indeed, we have a trade surplus with Australia. We have a trade surplus with EC.

Could you give me your reaction to the suggestion that there is something wrong with another nation having a trade surplus with us? Does that inherently mean there is something unfair?

Mr. KANTOR. Not inherently, Senator, not in my view. It does mean you should take a careful look at why that deficit was created and what was its genesis.

For instance, in the case of Japan, we will have about a \$48 or \$49 billion trade deficit in 1992 it appears. That it is the recent estimate.

Japan will have a \$120 billion to \$130 billion global trade surplus in 1992. Two-thirds of our deficit with Japan is autos and auto parts, as Senator Riegle well knows. We need to look at that closely.

Are there legal or extra-legal impairments to trade with Japan in that area or any other areas?

But you are right, it is not inherently evil or wrong or illegal, or we should not initiate a 301 action just because it exists.

On the other hand, I think it would be foolish on my part, if recommended by this committee and confirmed by the Senate and sworn in as Trade Representative, to ignore the problem. And I will not do so, but I will consult closely with this committee.

Let me just say, Mr. Chairman, as you indicated, I would welcome the opportunity to meet with this committee on a regular basis in private or public, whatever the wish is of the committee to discuss this and many other issues.

I think it is critical that we keep in close consultation. This is just not empty rhetoric in the statement that I made. I think it is as critically important to the success of what I do that I consult with this committee.

Senator CHAFEE. Well, I see my time is up.

Let me just say that many decisions as far as trade go are made by the consumer, as you well know. Surpluses come about because consumers take certain actions. And it is not necessarily wrong that some nation has a trade surplus.

Thank you very much, Mr. Chairman.

Senator MOYNIHAN. Thank you, Senator.

And Mr. Kantor, we take your proposal that we meet regularly with great seriousness. And we will do it and early, if we ever get you confirmed. I do not know about that.

Senator Riegle.

Senator RIEGLE. Thank you very much, Mr. Chairman.

First, Mr. Kantor, let me say that you have my full support. And I think it is great that your family is here standing with you today. I think you have the talent and the toughness to do this job. And it takes both elements.

I want to follow-up on Senator Chafee's comments. And I want to just illustrate for a moment the dimension of the problem that you are inheriting because you are coming into a situation where a massive problem has developed. And we have not dealt with it adequately as a country.

And I want to just illustrate on this chart that you see here what our cumulative merchandise trade deficit has been just since 1980.

This chart is notched in \$100 billion segments. We do not usually have charts that score that high. You will see that by the end of 1992, we had accumulated a merchandise trade deficit of nearly \$1.2 trillion. And it has been terribly damaging to our economy and to our job base.

If you could just go to the next chart now. I want to illustrate what has happened with Japan. Senator Chafee raises that issue.

If you look at the pattern of bilateral trade deficits with Japan, they are absolutely shocking and indefensible. And they have done great harm to this country. And they have done great harm to all 50 States of the country.

If you look at what has happened, we started out in 1980 with a trade deficit with Japan of about \$12 billion. By 1986, it was up. And in 1987, it was nearly \$60 billion. It has dropped some, but it has not reversed.

And it is getting larger again: in 1992, the figure of nearly \$45 billion. That means that Japan, net, is taking at least \$3.5 billion every month out of the U.S. economy. And it is stripping our job base, particularly in manufacturing.

A net deficit of our country in favor of Japan of over \$.5 trillion since 1980 is absolutely indefensible. And we sell many things in all other areas of the world that we cannot sell in Japan because of the barriers of entry in that country.

If I could have the next chart, please.

We are now seeing Mainland China, communist China, following Japan's example. And you are seeing an explosion in the deficits

there. In fact, we cannot keep the numbers up to date because they are growing so rapidly.

In this case, we have currency cheating, the use of slave labor in Mainland China, and other things. We are going to have a trade deficit with Mainland China by the end of the year just finished. When the numbers are finally accumulated, it will exceed \$15 billion, another illustration of this problem.

Finally, the last chart, if I may. I want to ask you and suggest to you an approach here in terms of dealing with the Japanese bilateral trade deficit.

Some of us have argued that the thing to do is to undertake discussions with the Japanese that would take this deficit of some \$45 billion a year and bring it down in 20-percent-a-year reductions over, say, a 5-year period of time.

In other words, an orderly reduction in order to get, Senator Chafee, to a balance of trade, a rough balance of trade with Japan. We may never actually achieve that.

Maybe we will have a slight surplus, but unless we get ourselves on a path like this in terms of an understanding with a country that has a managed trade relationship, I do not see how we are going to break the back of these deficits that are draining jobs and economic strength out of this country.

Now, my friends on the other side want deficit reduction—we all want deficit reduction. You cannot have it if the unemployment rate is above 7 percent in this country. In Japan today it is 2.5 percent.

In fact, Japan has just undertaken an \$80 billion infrastructure investment program which they are paying for in large part by the trade surplus they have with the United States. And we are talking about whether we can come up with some modest amount of money for an infrastructure investment in America.

So we need an American trade strategy. And I am confident that you are the person to spearhead that effort. I do not think that means belligerence on our part. I think we have seen a lot of belligerence directed our way in terms of why these numbers are so adverse to us.

Is it within the realm of your thinking to believe that we ought to try to strive for some kind of an orderly reduction in this bilateral trade deficit with Japan?

Mr. KANTOR. We certainly ought to seriously consider that approach, Senator. As you know, we have considered a number of approaches. They have been product-specific at times, sectoral at times.

Now, we have the Structural Impediments Initiative that has been going on with Japan under the Bush administration. We need to look at other ways to be flexible to address what you correctly point out is a difficult problem.

As you know, we had a \$19 billion overall trade deficit with the world in 1980. It grew five times in the 1980's. It was down in 1991 to \$66 billion. And unfortunately, it looks like it is going to go up to about \$80 to \$82 billion in 1992.

We have to look at that closely. We have to consult on these. I think this committee has tremendous expertise and can help this administration, along with the Ways and Means Committee and

other relevant members of both Houses, to develop a policy that will be effective in its approach.

That is not discriminatory. That does not mean that that is bashing anyone. What it means is that we have to look at this in realistic terms and try to be effective in our approach.

Senator RIEGLE. Thank you very much.

Senator MOYNIHAN. Thank you, Senator.

Senator Conrad.

Senator CONRAD. Thank you, Mr. Chairman.

Welcome, Trade Representative-designee, Mickey Kantor.

I was thinking this morning, I have known Mickey for 22 years. And I can say to the other members of this committee, we have a tough, smart, extraordinarily hard working Trade Representative-designee.

I am very hopeful, Mr. Chairman and members of the committee, that we will confirm Mickey Kantor very quickly.

There has been some comment in the press I see that Mickey Kantor lacks direct experience in trade. However, there is no lack of negotiating experience.

I have seen first hand and directly the extraordinary negotiating talent of Mickey Kantor. And that is precisely what the United States needs.

Needless to say, I represent a State that is the most agricultural State in the Nation. And agriculture is deeply concerned about the general direction of the trade agreements that we have seen. For example, the Canadian Free Trade Agreement allowed an unprecedented amount of durum goods to come into this country from Canada and absolutely collapsed the durum market of this country.

I would say to Mr. Kantor and members of the committee, my State is on the front line with respect to the Canadian Free Trade Agreement. Eighty-seven percent of the durum that is produced in this country comes from my State. It is a very popular product. Yet we saw the durum market absolutely collapse in our State after the Canadian Free Trade Agreement because Canada can ship this product into our country and we cannot ship a single bushel north to Canada.

The Canadians have a requirement that they call end-use certificates. We have no similar requirement on their exports to this country. They operate using a Canadian wheat board, with no price transparency. We operate in a completely open market. Any day, you can go and see in the Chicago markets what grain is trading for.

And the Canadians are very clever. We have already caught them in South America, going and telling our South American customers, "Don't worry. Whatever the price is in the United States, we will beat it by 5 or 10 cents a bushel," using the Canadian wheat board to set prices behind closed doors so no one knows what the price is except those who are the buyers.

I say to Mr. Kantor, these are the reasons agriculture is deeply concerned. It already sees the straws in the wind with the Canadian Free Trade Agreement.

Now, it sees a NAFTA agreement, a NAFTA agreement, for example, on sugar. Sugar is a major industry in my State, a \$1 bil-

lion industry in the Red River Valley of North Dakota and Minnesota.

And we see an agreement in which Mexico, which is currently an importer of sugar, is being told it can have direct access to our sugar market if only it shows a surplus with the United States for 2 years.

Anybody in the sugar industry knows Mexico can very easily become a surplus nation very quickly. All it has to do is convert the soft drink industry in Mexico from using sugar to using corn sweetener. Then it will be a surplus country, and it will have direct access into this market.

I tell you, that will be a body blow to the sugar industry in this country. And on and on it goes.

I have just been advised that our negotiators made a mistake with respect to the barley and malt equivalency measurement. USDA credited 700 kilograms of malt as equivalent to one metric ton of barley instead of 770 kilograms.

I just give that example, Mr. Kantor, because this is what so frustrates agriculture. The devil is in the details. And over and over, our negotiators with respect to agriculture have not been on top of the details.

I can say to you and members of the committee, I have spent a great deal of time with Tram Von Tem who is the chief negotiator for the EC in the GATT Round, a brilliant man, absolutely brilliant.

They have a plan and they have a strategy. And I think it is very clear what their plan and their strategy is. They intend to dominate world agriculture trade.

So I ask Mr. Kantor to pay close attention to these issues. I know you will, Mickey.

And I ask for your general observations with respect to what you see in the agricultural sectors when you look over the history.

Mr. KANTOR. Two things come to mind, Senator. And I appreciate your comments. And I will play close attention, as I indicated to Senator Dole who has now left. We spoke of the same thing, as you know, his concerns in this area.

The President-elect has spoken to this in terms of asking for one of the three supplemental agreements we intend to negotiate with the Mexican government as a result of NAFTA and unexpected surges in imports into this country which will particularly affect agriculture and particularly be protective, we hope, of the sugar industry, if such a surge should take place.

There is currently language in NAFTA, as you know better than I, which involves itself with surges, which we do not think is tough enough.

We believe we can reach a supplemental agreement in that connection without opening up NAFTA again, which we do not want to do. But we think we can do that.

Number two, I think in my colloquy with Senator Baucus a little earlier in answering your questions on the Uruguay Round, we talked about internal supports as well as export subsidies. We talked about the Blair House Agreement on November 20th and the Dunkel draft. I think that has to be looked at closely.

You are right. The devil is in the details. I think Ambassador Hills has done very well, Mr. Chairman, to get into those details. If I could do anything, Senator Conrad, I would like to be the best of Ambassador Strauss and Ambassador Hills. I think I would do quite well by doing that.

Senator CONRAD. Mr. Chairman, if I might just conclude by saying, if I were in trouble, I would like to have Mickey Kantor working on my behalf. I think we are in trouble on trade, so I am glad Mickey Kantor is the nominee.

Senator MOYNIHAN. A very handsome statement, sir.

And Senator Danforth.

Senator DANFORTH. Mr. Chairman, thank you very much. And congratulations on your new role.

And Mr. Kantor, congratulations to you.

Mr. KANTOR. Thank you, Senator.

Senator DANFORTH. What I know of you, I think you will be an excellent U.S.T.R.

One of the main problems that we have had in international trade has been a lack of credibility. We seem to say something and not follow through. We tend to be really blowhards, I think, in international trade.

We make verbal commitments. And then, we do not do anything about verbal commitments. We negotiate agreements painstakingly. And then, we do not follow through on the remedies that are provided in those agreements.

You mentioned in your opening statement that with respect to the EC Utility Directive, I think, you said that we should respond.

This is a case in which last February the U.S.T.R. said that it was going to respond unless it received favorable action by the European Community by January of 1993. It is now January of 1993. That time period, I think, has run out really by January 1993.

Have you focused on the EC Utilities Directive? Basically, what it is, as you know, is an arrangement by the European Community to require that certain products be purchased within the European Community.

We have said we are going to act. We are going to institute sanctions against the EC. Nothing has happened. Do you have any views as to what we should do?

Senator MOYNIHAN. Things like generators?

Senator DANFORTH. Yes.

Mr. KANTOR. It is heavy electrical equipment, telecommunications equipment.

As you know, Senator, much of the public utilities as well as the telecommunications operations in Europe are government owned. And it is a serious matter.

This directive has gone into effect in the EC, although not all countries have adopted it yet, but it is expected that they will. It is a serious situation because they require and this directive requires a 50 percent local content in the equipment covered by the directive, the heavy electrical equipment.

Senator MOYNIHAN. Local being the EC itself?

Mr. KANTOR. Yes, sir. That is right, Senator.

And it is a 3-percent preference to locally made or locally produced items in this category.

Senator MOYNIHAN. By which you mean European?

Mr. KANTOR. European.

Senator MOYNIHAN. Local has the context of—

Mr. KANTOR. I should say EC. Thank you, Senator.

Senator MOYNIHAN. Yes.

Mr. KANTOR. I should say EC.

Because of that and because the directive also suggests that it will allow arbitrarily the denial of any bid. Even if the 3-percent preference does not allow for the victory for an EC product, it will allow for the disqualification of a non-EC product as well.

They have taken what was informal and now made it formal, this non-tariff barrier to entry for very important products from this country.

As you know, President Bush said in February 1992, as you correctly said, that he would bring sanctions within 11 months. And, of course, that has not happened. That is on the front burner.

I have discussed it with Ambassador Hills, with Ambassador Katz. I have discussed it with the staff of the transition team because there is no new administration as of now.

We are preparing documents in that regard and will follow up on that matter. I have not yet discussed it with the President-elect, but will do so immediately after he has taken office.

Senator DANFORTH. The general point I am making is that it is very common for us to cry wolf in international trade. If we cry wolf and then do not do anything, there is not any credibility.

And my hope is that in your tenure as U.S.T.R., when you speak, you will speak with authority. And after you speak, you will act in accordance with what you said you will do. Otherwise, I think that we fritter away whatever authority we have in trade policy.

Mr. KANTOR. I couldn't agree more, Senator. Let me just add that Prime Minister Miyazawa, late in 1992, indicated in a public interview that the new administration would do as all other administrations, Democrat and Republican, have done, and that is cry wolf early, beat our chest, talk about what we are going to do, and then, not do it.

What I hope to do is the opposite, is to enforce the law and enforce our agreements, but not make any bolder statements that we can stand behind.

Senator DANFORTH. Let me just say, if I can in the half a minute I have left, oilseeds would be a similar type of situation. There is a real violation of law, a violation of international agreement.

Two different GATT cases were brought on oilseeds. No remedy. Then, we said, "Let's arbitrate." That was stiffed.

Then, we entered into an agreement purporting to settle the oil seed problem. The American Soybean Association and also, as a matter of fact, the New York Times have claimed this was a victory for the European Community.

Again, we had clear remedies available to us. They were not utilized. It weakens our credibility and also weakens domestic support for trade policy. Do you have comments specifically on the oilseed matter?

Mr. KANTOR. Well, I think we ought to look closely at the most important agreement we have reached. It was on November 20th

at Blair House. The oilseed agreement is part of that. The Blair House Agreement is part of the Uruguay Round.

There are some concerns I have with it. It deals with acreage, as you know, acreage limitations. And I think we ought to look at that very closely.

I think the oilseed area, of course, is a critical part. The agricultural exports is something we ought to pay close attention to.

Senator DANFORTH. Well, I hope we will not end up agreeing to something that is negative rather than positive as far as this matter is concerned.

Senator MOYNIHAN. Thank you, Senator.

May I just volunteer only for myself that I think both the general points you made and the specific points you made are compelling.

Now, that Utility Directive has not yet been ratified. There is a ratification process?

Mr. KANTOR. That is right, Senator. It has been adopted by the EC as of January 1. I think only one country in the—

Senator MOYNIHAN. In the manner that we adopt a constitutional amendment and each constituent State has to ratify it?

Mr. KANTOR. Exactly. That would be an analogy to it, Senator.

Senator MOYNIHAN. If you would send them the directive to think hard before they do that, I mean, that strikes me as unacceptable.

Senator BAUCUS. Mr. Chairman, if I might? That is a very good point. It is precedent here that that will work.

The banking directive. You probably recall that a couple of years ago, the EC proposed its banking directive. It had the same kinds of consequences: protecting its market.

And we Americans, frankly, were quite upset. It sent a very strong signal to the community. And they backed off. So there is precedent for doing so. And I—

Senator MOYNIHAN. Perhaps our first consultation with you informally could be on this subject. Would you think so, Senator Danforth?

Senator DANFORTH. Yes, I do.

Senator MOYNIHAN. That you would just say, "Hold on now. If the EC starts that way, then the next thing you know, we have trade wars, trilateral wars."

Senator Rockefeller.

Senator ROCKEFELLER. Thank you, Mr. Chairman.

I notice that we have 10 members here. And I am just wondering if there is a way of shanghaiing one additional one so we can vote, unless there is an objection. I guess I will proceed.

Mr. Kantor, I read—

Senator MOYNIHAN. The Senator does raise the subject. And if there is no objection, we have established a quorum. And therefore a rolling quorum would be in order. And we could take a vote now while there are 11 of us present. And then we will see whether the full quorum could be recognized because we are giving Mr. Kantor an awful lot of things to do, but we are not giving him the job to do them with. [Laughter.]

Senator CHAFEE. Well, Mr. Chairman, I do not get the purpose of the hearing. Why do we have a hearing if we are all going to vote before we—

Senator MOYNIHAN. I said if there is no objection.

Senator CHAFEE. But, Mr. Chairman, there are other ways of doing this. The concern is about a quorum. The fear is that by the time everybody finishes their questions, there will no longer be a quorum.

But I think you have established a quorum. When we are through with questions, whether you have a physical quorum present or not, you can then poll the members and report out the nomination, if such is the desire of the members.

Senator MOYNIHAN. There have been objections to that. We will take counsel, if we may do so.

Senator Rockefeller has the floor.

Senator ROCKEFELLER. Mr. Kantor, I read in the newspaper a few days ago that a certain Rockefeller was against your confirmation. I want it to be clear that that was an uncle of mine and not me. I am for your confirmation very much.

Mr. KANTOR. Thank you, Senator.

Senator ROCKEFELLER. And I am because of various principles, one of which is that I think that a skilled negotiator is the most important quality for a U.S. Trade Representative.

The Chinese have a phrase, "Know your enemy like yourself, a 1,000 battles, a 1,000 victories."

And it is my belief from what I have come to know about you in working with you over the past year or so is that you are not only extremely bright, but you are very shrewd.

In answer to the questions this morning, one would think that, in fact, you had already been in the U.S.T.R. position for several years. People are now routinely asking you technical questions to which you are spitting back dates and all kinds of details.

For someone who is not supposed to know about trade, I think you have already demonstrated the learning curve is very, very fast. Plus, frankly, I think sometimes it is good not to know everything about a subject because then you are not placed in a theological camp.

People are trying to figure out who Mickey Kantor is as U.S.T.R. And I like that. I think that is a very good position.

I strongly believe not only in the question that Senator Danforth—with whom I agree on most things in trade—asked, but your answer to his question which I thought was the most important statement that you have made, and that is that credibility needs consistency.

It needs patience. And you do not need to shout a lot. You simply need to follow through on your word. That has always been my view.

We have trade surpluses, in response to what Senator Chafee was asking a few moments ago. Basically, the only large trade surpluses are with Belgium, Denmark, and the Netherlands. Those are the only ones that reach the \$5, \$6, or \$7 billion level. Virtually everything else is a deficit.

I have always felt that since 1986 with the Semiconductor Agreement when the Japanese—for example—we should not just pick on the Japanese because there are other countries. The Europeans in many ways are more intractable. It is just that we are more accustomed to dealing with them so we accept it more.

But the Semiconductor Agreement did not work. President Reagan, 9 months later, imposed a \$300 million retaliation. And the Japanese, frankly, openly admitted it was that retaliation that caused them to begin to respond.

The 20 percent market penetration level still has merit. It is currently 15.9 percent. There is lots of work to be done, but I think consistency, being able to establish that you feel something strongly, that your negotiating position is flexible, but when you have made up your mind on behalf of the country, it will be there and it will stay is incredibly important.

To change subjects, in the Uruguay Round, it would be my guess that we probably will not conclude one by the expiration of fast track, which brings up the question of, if that is to be the case and if that is not a good thing and the world trading system is important, is it possible to lay out on the table the idea of trying to reach a Uruguay Round agreement on a lesser scale, perhaps on things which are more readily agreed to and then get an agreement on those things?

Mr. KANTOR. Certainly, Senator, that approach should be considered. As you know, there was a view towards going for what people called a maximum package. That meant everything from market access to subsidies to multilateral trade organization to other factors.

And they are including some provisions of the Dunkel draft that I am concerned with and that would involve our antidumping and countervailing duty laws. I think we ought to take a close look at that.

Mr. Chairman, that is one other subject that will be high on my agenda, if confirmed by the United States Senate. And that is another thing in addition to the directive that we should discuss together.

I think we need to take a look at that. I think you are right, Senator Rockefeller. There are some very difficult problems in market access of manufacturing goods, of agricultural goods.

I see my friend, Senator Pryor there. He knows about Japanese rice. He knows about Arkansas rice, my adopted home State of Arkansas. [Laughter.]

And I think that we need to look closely at that. And that might make good sense, but I think we need to talk about it. I would not do it obviously without close consultation.

There is obviously no new administration yet. So we have not discussed it, only in the briefest of terms. And so I would be careful to say that no conclusion has been reached, but it is certainly something that bears some discussion.

Senator ROCKEFELLER. Just one quick question, the Commerce Department next week will release its preliminary dumping margins on steel which follow its releases of subsidies margins. I guess it was in November.

If its decisions are positive, which I expect they are going to be for our domestic industry, that may prompt a renewed interest in a multilateral steel agreement.

And I would just ask if you would consult closely with us, those of us who care a lot about that industry on this committee and elsewhere, particularly on this committee, and also that you would

not agree to any EC proposals which permit subsidies, particularly regional subsidies.

Mr. KANTOR. Senator, I appreciate that. I also think we need to discuss the confluence of the steel dumping cases, the multilateral steel agreement negotiations, and the Uruguay Round.

As you know, they all connect together, intersect. And we have to look at that very carefully. It is a very important item. And I would like to consult.

We have a very large agenda if I am confirmed because that is just one more item that is going to be on the plate, literally 1 minute after 12 tomorrow.

Senator ROCKEFELLER. Thank you, Mr. Kantor. And thank you, Mr. Chairman.

Mr. KANTOR. Thank you, Senator.

Senator MOYNIHAN. It is so agreed. And that is a matter of consultation. You are not taking notes, Mr. Kantor, are you?

Mr. KANTOR. It is in my head, Mr. Chairman.

Senator MOYNIHAN. Senator Rockefeller, I think—

Mr. KANTOR. In fact, I do have notes here. I just do it very surreptitiously. [Laughter.]

Senator MOYNIHAN. Can I just point out that I believe it was Senator Rockefeller who mentioned that there is a multilateral trade organization contemplated in the Uruguay Round and that it is a big decision.

And it was expected in the United Nations agreements that were reached in San Francisco that there would be an International Trade Organization. It would be modeled on the International Labor Organization.

That came to grief in this committee, the Senate Finance Committee. It may be just as well because its headquarters was going to be in Havana.

Senator BRADLEY. It may still be. [Laughter.]

Senator MOYNIHAN. But thereafter, the international organization consisted of Eric Windham White and three secretaries in a villa outside of Geneva.

And whether that was sufficient for the 1950's, it was true in the time of our negotiations of the Kennedy Round. This may be a good idea. It may not. It is to be determined.

Senator Boren.

Senator BOREN. Thank you very much, Mr. Chairman.

I will be brief. Most of my questions have already been asked by my colleagues. I am very glad to hear the emphasis that you place, Mr. Kantor, on the side agreements in terms of the free trade agreement with Mexico.

I think those are exceedingly important and support the general thrust of the agreement. I think that without the side agreements being pursued vigorously, we could have some real difficulty in terms of getting approval of NAFTA. So I appreciate hearing your comments about that.

I would also underline the comments that some of my other colleagues have made regarding no agreement. GATT would be better than any agreement that is not to our benefit. Those of us who come from agricultural States among others, are very concerned about that.

Let me say, Mr. Chairman, I not only support this nomination, I support it enthusiastically. I would agree with my colleagues who know Mr. Kantor that he brings to this task the two most important qualities necessary.

One is ability. I have had an opportunity to see him in action in other contexts and to see his negotiating skills at work in other contexts. And having negotiated with some formidable negotiators around this table, and not taking anything away from any of them because they can be tough in negotiation, you are certainly one of the most able negotiators I have ever seen in action.

Mr. KANTOR. Thank you, Senator.

Senator BOREN. Your professional career, as well as my own first hand experience with you, have demonstrated that ability.

And so I think that negotiating skills are of primary importance. These, along with a very quick mind in terms of understanding the technical details that we have seen in the course of this hearing will, I think, serve you in good stead.

I think you also, along with ability, possess the other quality that I think is most important and that is a true commitment to public service.

I do not know how many of my colleagues know about your background in terms of your actions outside of government as a citizen volunteer. I would say to my colleagues that Mr. Kantor has been very active in areas near and dear to my heart.

One is his work as a private citizen in working with private organizations and private funding to help start the Los Angeles and California Conservation Corps. They provide a wonderful opportunity to young people in the inner cities to work on park projects to learn the work ethic.

It literally transforms their lives. It is one of the most successful programs in the country. In many ways he has been the driving force behind that program.

And another area he spends many, many hours on is the cause of campaign finance reform—which we will be addressing soon in the Senate—and as a member of the California Commission on Campaign Financing reform.

So he brings to this job, not only tremendous ability, but he brings with it a good heart and a concern and a care for public service. He has demonstrated that in so many ways in his life.

I feel very, very fortunate, indeed, that we have a person of this quality willing to serve our country at this time. I am very enthusiastic about the nomination.

I know that my colleagues, as they work with Mr. Kantor, will be as enthusiastic as I am and will become more enthusiastic every time they have an opportunity to work with this nominee.

Let me just raise one point that I think has not been raised. Among our other concerns about GATT is a culture exemption talked about by some of our trading partners. We are alarmed about what that can mean.

It can well mean that books, music, movies, creative products in this country would not receive the protection and the fair treatment that they deserve.

I just wonder if you are aware of that problem and if this is an area that you will take special concern.

Mr. KANTOR. Yes, I will, Senator. The protection of intellectual property in the Uruguay Round has been a contentious issue, as you know, with a number of countries. It has enormous implications for us.

One of the great export products of this country comes out of my area of the world.

Senator BOREN. Right.

Mr. KANTOR. It is interesting to be from Nashville, from a country music State and to then live in Los Angeles where other areas of entertainment are represented. So I am particularly concerned about that.

I have looked at it closely over the last 3 weeks and it is one of the major stumbling blocks right now. I have heard this three or four times: no agreement is better than a bad agreement. It is always the case.

I had some very good advice the other day—that motion is not movement. And I think I ought to take those words very seriously as I go forward with this job, assuming I can get through these hearings. [Laughter.]

Senator BOREN. I appreciate those comments. And I do think again the intellectual property issue is an important one. It makes an important contribution to our economy.

Senator MOYNIHAN. And Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman.

We welcome Mr. Kantor today to the Finance Committee. It certainly has been a special opportunity for me, Mr. Chairman and colleagues, to get to know Mr. Kantor as he and Mrs. Kantor have basically lived in Arkansas for the last year. And they have been wonderful assets to our community.

Mr. KANTOR. Thank you, Senator.

Senator PRYOR. And we hope that you will continue living there when you are not up here. [Laughter.]

In fact, I do not know whether you are registered to vote there or not. [Laughter.]

If you do register, there is a matter or two I may want to discuss with you on another subject. [Laughter.]

But Senator Rockefeller a moment ago talked about one or two of the important statements that you have made, Mr. Kantor. And I would like to stress another important statement that I find that you have made.

In fact, in your opening statement, several paragraphs have been given to the issue of a strong recusal policy for administration employees. And I think that is very, very appropriate. And I applaud you for it.

Mr. KANTOR. Thank you, Senator.

Senator PRYOR. I think also, this is something we have not heard enough about in the last several years. And I am glad that you are putting this issue on the table. And I think that we should be involved with it because I think we have some problems.

In fact, in the last year or two, a book was written. It was entitled, "Agents of Influence." It was written by Pat Choate.

And I recall that it states, "From 1973 to 1990, one-third," this is pretty alarming, "of all U.S.T.R. officials that held primary and

principal trade positions left those positions to become registered foreign agents."

That is I think an indictment. Now, I would like to make note, these are not just Republicans. These are Democrats alike. So I think we must address this as a whole problem.

The new administration, I think, is making a renewed commitment to rid us of this situation. And I am just hopeful that you are going to carry this forward in your office.

Some call it the revolving door, but I think it is certainly long overdue to be discussed. Do you have any comments on that? Or would you like to respond?

Mr. KANTOR. Just a quick one, Senator. And I appreciate that. If the house is still available on Beechwood Drive, I will come back to Little Rock. We enjoyed it there very much.

Senator PRYOR. Thank you.

Mr. KANTOR. Although I am still registered to vote in California. I might hasten to add though, my two colleagues who were here today will take umbrage at that, but I am very proud of my adopted State of Arkansas.

I served for years until I resigned just this month from the California Commission on Campaign Financing. It was not only a commission that looked at campaign financing reform, but at lobbying reforms.

I am very sensitive to that problem. What I have tried to do and I hope that I have accomplished it is to adhere to the pledge that President-elect Clinton wants us to slam that revolving door shut for the future. And it should be.

And I think I will put a complete wall between myself and what I have done in the past as a partner and as a lawyer and as an advocate for private interest.

Doing that, I think I can go forward and exercise independent judgment and be an agent for change, not an agent for influence.

Senator PRYOR. Thank you, Mr. Kantor.

And finally, Mr. Chairman, I may have two or three questions for the record, if we can submit those questions.

[Senator Pryor's questions appear in the appendix.]

Senator PRYOR. I have had extensive conversations with Mr. Kantor in private about our rice situation and agriculture issues and other trade issues. And I look forward to him serving in this capacity and to working with him.

Thank you, Mr. Chairman. And thank you, Mr. Kantor. I give you back the balance of my time.

Senator MOYNIHAN. Thank you, sir. And if possible, we would like to have questions by 5:00 o'clock.

Senator Grassley.

Senator GRASSLEY. Thank you, Mr. Chairman.

Before I ask questions, I was not here because I was downstairs where the Attorney General-select was being interviewed for that position. I am a member of that committee, but I would have voted yes on Shalala and yes on Altman.

Senator MOYNIHAN. It is so recorded. And we are pleased to hear that, sir.

Senator GRASSLEY. Thank you.

Mr. Kantor, you have answered for Senators Dole, Conrad, and Baucus very good questions I had on agriculture. I would just like to indicate that I found your answers very satisfactory.

I would like to approach the issue of agriculture and GATT from another other point of view to see what sort of continuity or lack of continuity there might be between the new administration and the old administration on agriculture and GATT.

I would start with a point that Mrs. Hills has made so often about agriculture being the lynch pin of a GATT agreement. She has stated that if there is not a good agriculture agreement, there will not be an agreement in any other areas.

In the last couple of months the Bush administration has tried to finalize the GATT agreement without success. I wonder if the Clinton administration will stick to Mrs. Hills premise that we've had for the last 2 years?

I do not want to say that they will not, but assuming they won't, let me have you speak philosophically about how you see agriculture as a lynch pin or not a lynch pin in regard to a future GATT agreement that hopefully will be agreed to under your administration.

Mr. KANTOR. Thank you, Senator. As a basic proposition, as I said earlier, agriculture representing over \$40 billion in exports a year, over 10 percent of what we export is critical to us.

Number two, it is a major item, if not the major item in the Uruguay Round, as you know so well. The November 20 Blair House Agreement coming after some, I think, contentious negotiations and handled I think very well by Ambassador Hills involved both oil seeds and subsidies, export subsidies, as you know.

Internal supports are being addressed in the Dunkel draft itself. I think there are reasons to look very carefully at that Blair House Agreement.

The reason I say that, Senator, is, as I expressed earlier, the base years in that agreement is 86-90, and it involves a 21 percent cut in export subsidies by the EC and the United States.

The problem is, when you have the base years of 86-90, as you know so well, and we cut after that our subsidies and then you take 21 percent, we are starting at such a lower base than the Europeans in this connection. We will have some problem with a level playing field in an attempt to create fair situation.

Therefore, I want to look at it carefully. I am not reaching any conclusion, but I suspect it is something that you would be concerned about as well.

Senator GRASSLEY. On another broad area that is somewhat philosophical, can you tell us the direction that the new administration will be taking on for trade.

Too often in both Republican and Democratic administrations previously, and this is not just true of agriculture, it will be true of a lot of areas, we have often seen a Secretary of State undercut trade and agricultural areas when they would argue, "Well, national security was at stake."

In other words, you want to be careful what you do to Japan because they are involved in our National security. You might want to be careful of what we do in South Korea and western Europe for the same area.

To what extent is this same pattern going to be pursued or not pursued by you and by this new administration, as best you can determine the policy of this new administration at this point?

Mr. KANTOR. The President-elect has spoken eloquently about this very problem that you raise right now. We must have an integrated economic approach.

One facet of our economic policy does not stand apart from another facet. As we look at that, trade is just one part, but a vital part of that package.

What we need to look at as far as I am concerned, and this is more than a philosophical statement, is creating economic viability at home. If we do that, that is part of our National security.

No longer does just our defense and national security interests depend on our military, although it is a very important aspect, or our foreign policy concerns.

Our economic viability is critical if we are going to exercise the kind of influence we want to exercise in this very dangerous world that we face.

And so therefore, trade becomes an important part of that viability. So I would say that in creating an integrated economic package, trade will be a critical part of it. The U.S. Trade Representative will sit on the Executive Committee of the National Economic Council and will report directly to the President-elect.

So therefore, I think when any considerations are taken up, which concern foreign policy concerns, trade concerns, trade domestic policy, and the economy, no one aspect will dominate. We see it as an integrated package, if you will, a seamless web. And it has to be looked at in that fashion.

Senator GRASSLEY. My time is just about out. I would make one point and ask you to continue looking into it. It was a matter that I brought up in my office and you did not make any commitment. I did not ask you to make any commitment.

It would not be appropriate at this moment for you to make any sort of a commitment, but that would be the concern of the home appliance industry vis-a-vis NAFTA. And that is not only an important industry in my State, but nationally as well.

I hope their problems and concerns expressed in the paper that I gave you will not be forgotten during any side agreement discussions you have with the Mexicans..

Thank you.

Mr. KANTOR. Thank you, Senator.

Senator MOYNIHAN. Thank you, Senator.

If I could just make a point in support of what Senator Grassley has said. As late as 1989, three-quarters of the manufactured exports of the United States required a government license. You had to get permission to sell anything in the world market. And we wonder why it does not always work so well.

Senator Bradley.

Senator BRADLEY. Thank you very much, Mr. Chairman.

I take it that you were defining the free market that we are thinking about where you have to get an export license.

Senator MOYNIHAN. Yes.

Senator BRADLEY. Two thoughts, Mr. Kantor, and then, two questions. First, I think that your appointment is an excellent ap-

pointment. I think you will do a terrific job. I think you will be able to move things along in negotiations. I think that is the most important thing for a Trade Representative.

Mr. KANTOR. Thank you.

Senator BRADLEY. I have spoken to you about NAFTA. I believe it is the most important foreign policy decision that President-elect Clinton will make in his first 6 to 8 months.

I think it is enormously important for the future of this country. It offers a promise that might not come again.

And I urge you to seize it, to conclude quickly any side agreements that you have obligated yourself to negotiate with Mexico, to quickly submit to us the new administration's adjustment package that will facilitate this agreement, and to push it forward with great energy, the energy that I believe that you have.

The second point is we have to understand that our largest trading partner in the world is no longer Europe. It is Asia. And we have to begin to think a little differently about some of the big markets in Asia because it is by far the fastest growing area in the world.

We have talked about both of these issues. And I hope that you will in practice deliver on some of the things that we have talked about. I know you will.

Mr. KANTOR. Thank you, Senator.

Senator BRADLEY. Two quick questions on a separate item, and that is, export promotion of tobacco products. Previous administrations have pressured other countries to lower their health and advertising standards in order to allow us to sell cigarettes. Do you expect to put an end to these practices?

Mr. KANTOR. Yes, I do, Senator. I think that if these regulations or laws are scientifically based—as we would want our laws to be respected that are scientifically based in this or any other area—then, we should not be in the business of trying to override those in some negotiation and push tobacco in this way. Yes, I would agree with you on that.

Senator BRADLEY. Previous administrations, when formulating its policy on tobacco exports, did not consult HHS. Would you expect to consult the Health and Human Services Secretary on issues related to tobacco export issues?

Mr. KANTOR. Yes, I would, Senator. In fact, I would like to say, Ambassador Hills had a representative of HHS on the trade policy staff committee. I would continue that.

I think it is an important aspect of what we look at as we engage in trade policy. I will continue that. I will have continuing dialogue with, I hope, Secretary Shalala.

She has just been passed out of this committee. I hope that she will be confirmed by the Senate. She is an old friend of mine and a wonderful Secretary. And I commend the committee for what it did this morning. And I would look forward to those discussions.

But I think in following Ambassador Hills' lead, frankly, I think we ought to keep the HHS representative on that staff committee and also make sure that when questions that involve HHS come up, the Trade Policy Review Group, which you know very well, it is so important that a representative from HHS is on that as well.

Senator BRADLEY. I thank you very much, Mr. Kantor. And I would simply like to reiterate my own strong feeling that NAFTA might not come again with a country in which half the populations are under the age of 15, Mexico.

Unless we can pass this agreement and deal with the adjustment questions in the process, then, we are not going to have as much economic growth as we otherwise would have. And we are going to have mounting social problems.

That is why I think it is the most important foreign policy measure that this new administration will confront in its first 6 months. I know that you are aware of that, are you not?

Mr. KANTOR. I am very aware of that, Senator. And I know it is right on the front burner.

Senator BRADLEY. Mr. Chairman, I would like to be recorded in favor of Secretary Shalala and Deputy Secretary Altman, and if I am not here when the vote is taken, in favor of Trade Representative Kantor.

Senator MOYNIHAN. Thank you, Senator. That will be done.

And now the final questioner in our first round.

And may I note that there have been 15 Senators present so that you have some sense of the importance with which we view this job.

Senator Breaux.

Senator BREAX. Thank you, Mr. Chairman. I apologize, Mr. Chairman, for being late.

Mr. Kantor, it is good to see you.

Mr. KANTOR. Senator, it is nice to see you, sir.

Senator BREAX. One thing is true about inauguration season is that mornings come too early and nights last too long. [Laughter.]

And I hope we all survive.

Senator MOYNIHAN. There speaks the voice of—

Senator BREAX. Too much experience.

Senator MOYNIHAN [continuing]. Of New Orleans.

Senator BREAX. Too much experience can be a bad thing in this area. [Laughter.]

I congratulate you for your appointment. I know that you will do a good job. I think that your background, both professionally and in your private life, will help you to be a strong U.S. Trade Representative.

I would hope that the phrase, "We will have to study it" will never become a final answer for you and your department when you appear before the Congress.

I think on too many occasions in the last administration, serious problems were met with the response, "We will have to study it." And while it may not have been a final answer at the time, it became a final answer in too many areas.

There was good work done by the former U.S. Trade Representative. There is no question about it, but in areas that I was parochially involved in, "We will have to study it" became the only answer I ever got.

I particularly point out, as an example, the absolutely closed system that Japan has when it comes to rice imports. My State is one of the largest U.S. rice producers, as is California.

I suggest that we've already studied the issue. It is time to take some action and try to move in that direction.

The other point I would like to make is that I would very much like to see the Trade Representative be a voice for an aggressive trade policy that becomes part of our overall international policy. Trade is as important as philosophical geo-political strategy, if not even more important because of recent changes in the world.

I think the Trade Representative has to fight and become a fighter for Americans trading in the global marketplace.

Other problems and concerns will be brought to you by all the other executive departments telling you why you cannot do what I think your mission clearly tells you that you have to do.

And so I think your job really is to be a forceful voice. And I know that you have the capacity to do that.

One quick point on NAFTA. And I think maybe my colleague, Senator Conrad, mentioned it. NAFTA has a defect in it for those of us who represent sugar producing areas—and that is sugar beets as well as sugar cane—in the sense that I read the treaty as saying that Mexico can somehow become a surplus producer of sugar by importing sugar sweeteners, not using their sugar, thereby allowing them to dump it into the United States.

I guess you have been presented with that problem. And I would just ask you to make a brief comment on it.

Mr. KANTOR. Well, in answer to Senator Conrad's question along the same lines, and I am very well aware of your concerns, Senator Breaux, I think President-elect Clinton has indicated there are three supplemental agreements to be negotiated, as I mentioned in my statement: one involving worker standard and safety, one involving the environment, and one involving overwhelming surges of imports.

I believe if we are sagacious and careful and consult regularly, that is where we can deal with the problem that you are legitimately raising here. We do not need to study it, Senator.

I think we can talk about it here. We can consult. The new administration can come to a conclusion and use the opportunity frankly of this supplemental agreement to try to address that issue without reopening NAFTA itself.

Senator BREAUX. Well, I wish you well and look forward to working with you in the new administration.

Mr. KANTOR. Thank you very much, Senator.

Senator BREAUX. Thank you, Mr. Chairman.

Senator MOYNIHAN. We thank you, Senator.

And now for a second round. If I could just take a moment here to say that there are three points, Mr. Kantor. We do want to move forward with the NAFTA agreement and some of the modifications.

One of things that was pretty conspicuously missing in the text we got was the matter of labor standards and the idea of an International Trade Organization that was put together in the post-war era which was meant to really be in parallel with the International Labor Organization and the labor treaties.

And that is important to this committee. And we would hope that we will see something in that area. I cannot speak for individuals, but I think you should know that this committee has strong feel-

ings given the situations in China about prison labor, about Tibet and such like places.

And you heard Senator Riegle on the question of China's trade surplus. A trade surplus as such is not a good thing or a bad thing, but if it comes about in ways that we would not have ever accepted in our own economy, then we ought not accept them in others.

And just on that point of licenses, may I make the point that it is much easier to get a license to export something manufactured to the People's Republic of China than it is to Russia.

Russia is a successor state in all manner of ways, including, "Don't sell them any refrigerators. They might put penicillin in them or do something like that." It does deserve your attention, even though it is not your immediate problem.

Senator Packwood.

Senator PACKWOOD. I do not know if you are aware, Mr. Kantor, of the GATT panel finding on beer in Canada. Canada is discriminating against the import of American beer despite the Free Trade Agreement, and the GATT panel report. The problems with Ontario is particularly a troublesome.

A GATT panel has ruled in our favor, but GATT panels are not self-enforcing. Both countries have to agree or Canada has to agree in this case. What can you do to urge them along, force them along, coerce them along to agreeing with the panel's recommendation?

Mr. KANTOR. Well, in fact, Senator, we do have the power, as you know, with that kind of background in the appropriate circumstances to take a look at Section 301.

Senator PACKWOOD. Yes. We can retaliate. We would rather get them to open their market.

Mr. KANTOR. We want to get them to open their market. There have been instances in the past where the institution under investigation of 301 with certain countries, where that has been fairly effective in trying to get negotiations started in getting something done.

That is something I think we ought to consult about, both with you and with this committee. We talked about it in your office, as you will recall. And it is something of which I have some concern.

I do not think this would be the appropriate place, given 1 day before the inauguration to make a policy pronouncement in that regard or preempt the President-elect of the United States, but it is something of some concern.

I think that is part of not saying things that you live to regret, standing behind what you commit to, and making sure that the countries know that is what you will do.

Senator PACKWOOD. This is one somewhat tangential to Senator Danforth's utilities problem. We have a GATT panel finding. We have right on our side as GATT sees it so that it is not something that requires further negotiation. It requires enforcement.

What do you think you can do about the Semiconductor Agreement with Japan to get them to the 20 percent foreign market access?

Mr. KANTOR. Well, it comes up this spring. We will have to review that. And again, it is something of, we are at 15.9 percent, as I think Senator Rockefeller pointed out when he was here. It has grown from 9 to almost 16 percent since 1986.

It is not at the 20 percent. That was a goal. It was not a requirement, but I still think it may come within the dictates of 301 and therefore be enforceable under those dictates.

Now, I would like to look at that and talk to general counsel, not only of my agency, but through the new administration and talk to this committee and other committees, both on the House side and here. It is a difficult problem, but it is critical to one of our key industries in this country.

Senator PACKWOOD. I think the 20 percent is a Japanese commitment, unless I am mistaken.

Mr. KANTOR. No. It is a goal. In fact, I think, if I am not mistaken, Senator, you might take a look at that or we may consult about it, but I—

Senator MOYNIHAN. Could you hold while we consult counsel here? This is a point that we would not want to be unclear on.

[Pause]

Senator MOYNIHAN. Our counselors say there is a side letter that Senator Baucus was referring to which states that this is our expectation. So we would think of it as more than a goal. Would you agree?

Mr. KANTOR. But that is why I said, Mr. Chairman, that I think it can be enforced under 301, but it was not a commitment.

I was trying to distinguish between the words commitment and goal. Somewhere in between may lie expectation. But I believe under 301, it is enforceable.

Senator MOYNIHAN. Perhaps you would give the committee something in writing when you get a chance to do this.

Mr. KANTOR. Thank you, Mr. Chairman.

Senator MOYNIHAN. We do not want to press you, but there are important issues here.

Senator Packwood, is that agreeable to you?

Senator PACKWOOD. Yes. That is fine, thank you.

Several members have touched upon most-favored-nation status for China. You will have the issue in your lap very soon. What would be your recommendation to the President?

If China does not change much, if roughly they were where they were last year, they made a slight nudge on labor and a slight nudge on weapons—but sort of where they were last year, what is your recommendation?

Mr. KANTOR. Well, this is a recommendation that has to be developed throughout the entire new administration, as you well know, Senator. It involves human rights concerns. It involves nuclear proliferation, trade concerns.

We just saw, I think, last week a story in virtually every newspaper about the concern of alleged transshipments of as much as \$5 billion in Chinese textiles and other goods. \$4 billion in textiles I think it was.

And I think we have to look at that carefully in terms of the MFN status and Jackson-Vanik and other concerns in this area.

Senator PACKWOOD. Do you have any intuitive feeling about a recommendation?

Mr. KANTOR. Not at this point. I do not think this would be proper for me to indicate that at this point. I would like to consult with the committee on it is another thing. There are so many items on

our agenda collectively and with the new administration as we go in, but I think they can be handled.

And I think to give an intuitive answer right now might be unfortunate.

Senator PACKWOOD. Thank you, Mr. Chairman.

Senator MOYNIHAN. Thank you, Senator.

Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman.

Very briefly, Mr. Kantor, you have a job which gives you enormous potential to create new jobs in America. In fact, if the United States is successful in negotiating a successful Uruguay Round and a successful NAFTA, et cetera, you will create more jobs than any other Cabinet member.

Your job is that critical, is that focused, and that crucial. You have the capacity as U.S.T.R., if successful, to create more jobs in America than any other single Cabinet official.

Second, I think it is important for us not to only react to trade problems as they come up, but it is even more important these days for us to be thinking in the longer term and to create policy and to make something happen that is more beneficial for our country and for the world in the context that we are not always reacting and trying to put out fires.

One example is our relationship with the country of Japan. It is a very difficult relationship. Essentially, it is because our cultures are so different and we are so far away from each other.

We know a little about the Japanese, not a lot. Americans just do not travel that much really compared with people in other countries.

On the other hand, Japanese know quite a bit about us, but given their historical context and their background and history, et cetera, they have a different view of the United States and a little bit different view of their role in the world.

I strongly urge you as U.S.T.R. and strongly urge the new administration to be very proactive and creative and try to come up with a United States-Japan policy.

About 4 years ago, I wrote an article in the Cornell International Law Journal on this subject, the United States and Japan relationship, and suggested in that article that we Americans—this was in the aftermath of the United States-Canadian Free Trade Agreement—explore some kind of bilateral trade agreement in a larger context, an agreement generally with Japan.

Multilateralism is important. Unilateralism is important, so is bilateralism. I mean, there is a role for each. I think each one helps the other. The main goal is pragmatism. We Americans should be pragmatic and practical, not be too wedded to one approach at the expense of others.

But I urge you very strongly with respect to Japan. It is so critical in the future. We have heard about the fact that Asia is the fastest growing market. It is true. And when one goes to Southeast Asia, particularly, one is overwhelmed with just the dynamism and the growth and the potential in that part of the world.

And certainly the Japanese relationship with Southeast Asia is very critical to the United States' relationship with Southeast Asia.

I very strongly urge you to take advantage of the opportunity we now have as Americans to create a very strong and forceful and constructive and creative new era in U.S.-Japanese relationships.

A former Montana Senator, the former Majority Leader in the United States Senate, Mike Mansfield, was Ambassador to Japan for 12 years, often said—and we have heard the statement and it is as true and perhaps more true now than it was then. He said many times that, "The United States and Japanese bilateral relationship was the most important in the world, bar none."

I think he is right. They are all important, but that is a linchpin. If we can get strong a relationship with Japan, it puts an end to a lot of this bickering and fighting. And it starts to create an era in which we do not have to worry so much about semiconductor agreements, et cetera, et cetera, an arrangement which helps each country do what it knows it should do.

We know what we should be doing in budget deficits and other actions. And we know what Japan should do. Their political leaders know it. They just need more external pressure. We know it. We can stand a little more external pressure, too.

It is an opportunity that I urge you to seriously explore.

Mr. KANTOR. In fact, Senator, I had the great honor and privilege of having breakfast with Senator Mansfield just last week and not only enjoyed it, but it was very instructive for me. And I would hope to continue that. He is an extraordinary human being, as you know better than I. And I enjoyed that immensely, but it was very helpful.

Senator BAUCUS. Listen to him on China MFN, too.

Mr. KANTOR. Thank you, Senator.

Senator BAUCUS. Thank you.

Senator MOYNIHAN. With that cryptic note, Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman.

Mr. Kantor, let me just sound a note of caution, if I might, and one of concern, and that is regarding embarking on a course in trade negotiations that primarily is characterized by "toughness."

In other words, the view that if we cannot get 100 percent of what we want, we will not play. In that case, I believe, the perfect becomes the enemy of the good.

You as an old negotiator know a lot about that. I think we have to remember that we in the United States have lots of buy-American provisions in our highway programs, and in our mass transit programs. We also have farm subsidies and we certainly have quotas—just look at sugar, for example, when you talk quotas—yet somehow no other nation should have any of those provisions.

If there is one thing that can create a world-wide depression it is the reconstruction of the trade barriers that have been knocked down over the past 30 years.

We have seen what Messrs. Smoot and Hawley did to this country in June of 1930. And there is a lesson there that I do not think we should forget. Yet somehow there is the feeling that the United States can do anything it wants and other nations have to dance to our tune.

But I think we have to remember that nations frequently do not behave sensibly. They are motivated by pride. They are motivated

by history. They are motivated by internal politics that cause them to act irrationally, from our point of view.

Just remember this: A lot of the tough talk you hear urging you on will come from Members of Congress. I would just like to quote you a line from "Seven Days in May," which is a great novel. This is the line, which describes a Senator: "He moved with all the arrogance that comes from years of power uninhibited by responsibility." [Laughter.]

So we in Congress can talk tough, but just remember, its your boss who has to pick up the pieces.

Now, I would like to ask you one more question. There has been a lot of stress today on NAFTA. I am for that. And I think we have the NAFTA on track because of the December signing of the agreement. Therefore, the fast track rules stay in effect for NAFTA.

I would like to concentrate a little more on GATT. I think that the Uruguay Round represents tremendous opportunities for this Nation.

A failure to go ahead with the GATT would lose us these opportunities. I know there are plenty of problems. For example, no one is saying that the section on agriculture cannot be better than it is currently. But there are other factors involved to keep in mind.

For the first time, this round includes discussions on intellectual property. For the first time, we are negotiating on financial services, legal services, banking. And also for the first time we are seeing as part of the negotiations the agricultural sector.

I would like for you to address in a few minutes, if you might, the thoughts you might have on the future of the GATT. I know you have met with Carla Hills and others. Where do you see the Uruguay Round going?

Mr. KANTOR. I have talked to Ambassador Hills on a number of occasions since my designation by the President-elect. She has been very kind with her time as an old friend to try to induct me into this old club, this very small club, if I am confirmed by the Senate.

In doing that, obviously, the Uruguay Round and GATT negotiations were on the front burner. And she walked me through where they were. One of the things that became clear, Senator, that for every problem that seemed to be solved, two new problems were raised in terms of definitions.

One of those was in the, for instance an example, nonferrous metal area. Sir Leon and Brttan indicated that they were prepared—meaning the EC. He is the new trade minister for the EC, as you know—to make significant, significant cuts in nonferrous metal tariffs, but did not describe what that meant.

And when they got down to negotiating on January 2nd, it was clear, significant in terms of the EC, but was not very significant in terms of the interests of this country.

And so I use that only by an example to indicate, when you look at, as you said, intellectual property concerns or services or market access, zero for zero is what we have tried to negotiate in many areas. It becomes very difficult in the definition stage, as well as just getting there.

On market access, we have real problems, not only with the EC, but with the Japanese on rice, with the Japanese on services, as you know, and with the Japanese on wood products.

And so all of those will be challenges that I think not only this new administration faces, but we face together because I think that is what we have to move on.

If we do not have not only a comprehensive policy, but consensus, we are not going to be very effective in our negotiations.

Senator CHAFEE. Well, thank you. My time is up, but I would just refer once again to that old saying about the perfect being the enemy of the good, which you as an old negotiator know a lot about.

And we are not going to get an agreement that is going to be perfect for everybody, but I think it behooves us to really press forward on this.

I come from a section of the country that is not involved with the agriculture side, but is involved with the intellectual property, the financial services and the manufacturing side of it. So I would hope that because of the concentration on NAFTA that GATT would not be lost.

Mr. KANTOR. Thank you, Senator. I would just indicate that that is an old Russian proverb. I think I first heard it from an old colleague of yours, Senator John Culver of Iowa, the first time when I heard that.

Senator CHAFEE. Thank you.

Mr. KANTOR. Thank you, Senator.

Senator MOYNIHAN. But I think Senator Chafee makes an important point that the United States is going to prosper to the degree of trade in services and the protection of things like intellectual property, which is where much of our economy resides. And that is why what is new about this GATT Round, the Uruguay Round, is that it extends beyond just goods and things.

I think GATT—who knows offhand? Question, what proportion of world trade in dollar volume is regulated by the GATT? It is only about 10 percent, 5?

Mr. KANTOR. Senator, with all due respect, I do not know the answer to your question.

Senator MOYNIHAN. About 5 percent. Now, that is important to get clear. You can spend all your time talking about something that is about 5 percent of the value of world trade unless you can get that percentage up by dealing with the issues that are on the table in the current round.

If all you are doing is negotiating 5 percent of world trade, well, it is interesting, but not exactly the world's most important event.

Senator Breaux, I think you are our last questioner in our second round.

Senator BREAUX. Thank you, Mr. Chairman.

One brief point.

Senator MOYNIHAN. Excuse me, Senator Breaux. Would you forgive me, sir?

Senator DANFORTH. Go ahead. You were next.

Senator MOYNIHAN. Senator Danforth. Forgive me.

Senator DANFORTH. Mr. Kantor, just remember that other sage comment, "The trade agreement that is not going to be enforced is the enemy of good trade policy."

I want to use my remaining 5 minutes to make two comments really to express to you two views which are probably not universally shared and to express two hopes.

The first view is this, I am concerned that too much else gets loaded on our trade negotiators, too much else meaning too many other national purposes in addition to expanding our ability to sell in the markets of other countries.

I am very concerned, for example, about conditioning MFN for China on human rights improvements. I think that using trade policy in order to accomplish other goals that are very good in themselves undermines our trade policy—the result is to subsume trade policy under other things.

I have to say that I felt the same with respect to the Clinton position on NAFTA. Obviously, everybody wants a clean environment. Everybody wants fair labor practices, but when NAFTA trade negotiations are used to accomplish extraneous things, then trade becomes secondary not primary.

My hope, therefore, is that in your job, trade will be your brief. Trade will be your concern, not everything else that is on the Nation's agenda, but trade and that you will be somebody who is going to try to ward off attempts to load trade with more and more and more other things. That is my first view and my first hope.

My second is this, and from what you said earlier and what Senator Pryor said, I think that this is obviously a minority position, but I am going to say it anyhow. I think that the President-elect's ethics rules with respect to post-governmental employment constitute a serious blunder, a really bad mistake.

I think that you are going to find it hard to get good people in the kind of jobs you have to fill. I think that the rules go too far. For example, a trade negotiator under these rules is prohibited for 5 years after leaving government employment from representing or advising a foreign client on any matter related to the performance of the Federal Government.

As an example, a textile negotiator for 5 years could not represent British Airways in a matter related to the FAA or the Department of Transportation.

I really think that it is an objective which is laudable, but these rules are a very, very stringent way of trying to accomplish it, and they are going to hurt the administration of U.S. trade policy.

My hope is that if I am correct, you will recommend changing the policy. I know that no President—and we certainly saw this with President Bush, and I guess we are going to see it with President-elect Clinton—ever wants to be accused of waffling, changing his mind, renegeing on a promise.

This is already said to be the book on President-elect Clinton even before he takes office. But if something is done which turns out to be a mistake, it is not of any service to continue on that track.

And if it turns out that the ethics rules do less to serve the cause of ethics than to hinder the performance of U.S. trade policy, I hope you will let us know that. I hope you will let the President-elect know that.

And I hope that you will know that there is at least one Republican Senator who is not going to be dumping all over you for

changing your mind, but is going to say that you are doing the right thing by changing your mind.

I might also say that I hope that between now and whenever that executive order is finally signed, you might take a look at exactly how it is drafted for the sake of providing some relief or some flexibility in how it turns out in print.

Mr. KANTOR. Thank you, Senator. I appreciate that.

Senator MOYNIHAN. Would you wish to comment?

Could I just say to you that there is no Member of the United States Senate who is more respected in matters of professional and personal ethics than Senator Danforth. And he speaks from experience as an attorney, an Attorney General, and as a theologian. And anything he thinks will have a great influence in this body.

And perhaps, you do not want to say anything, but if you want to, please.

Mr. KANTOR. I would just suggest that I hope you are wrong. I hope that does not occur. So far, it does not seem to be an impediment. But if you turn out to be right, then, I have tried to present myself as a flexible person, someone who looks at the facts and tries to be effective in what I am doing. And I would take a look at that, but I think we can slam, as I said, this revolving door shut. I think the section which you cited is an important one.

Senator MOYNIHAN. Sir, with great respect because you are going to do a lot of negotiating, you cannot slam a revolving door shut. [Laughter.]

Mr. KANTOR. Maybe I have been spinning around too long.

Senator MOYNIHAN. The chair wishes to announce that an authoritative article in the Cornell Journal of International Law has established that the amount of world trade covered by the GATT is 7 percent.

Thank you, Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman.

Senator Breaux, I think is our last questioner.

Senator BREAU. Thank you, Mr. Chairman.

I want to say to my colleague from Missouri that if it is the new ethics rules that have stopped the interests in serving, I certainly have not seen it from the number of applications that we have received from people to work in the new administration. I think it is 10,000 applications for every one position, or at least it seems like it.

I think people are anxious to work in the new government, even with the strict rules, even if it is a sacrifice.

And I agree with Jack Danforth. I think it is probably unnecessary to be that restrictive, but I do not think it has slowed down the number of people interested in the various positions that need to be filled in this new administration.

Let me just raise a concern, Mickey, and that is, I think that President-elect Clinton is going to have as his goal to raise the interest of trade and competitiveness as part of the new administration. I think that is very important.

Two things that we have recommended that I would ask you just to make a comment on, number one, there is a great deal of overlapping in the trade area. I mean, you just take telecommunications, for instance.

We have the State Department involved in it. You have the Commerce Department involved in it. You have the U.S.T.R. involved in it. And you have the FCC involved in it.

And people sometimes are stumbling over each other to come up with a specific and clear trade policy in these areas because we have so much overlapping.

We have suggested that perhaps they could consider consolidating the trade functions into a new department of trade and technology which would combine the functions of U.S.T.R. and the trade part of the Commerce Department to have a streamlined department of trade and technology. I would like just your general comments on that.

The second suggestion is to elevate trade as part of our National policy and national agenda in a global economy; to get the national security advisor to the President to have an assistant for trade, because trade is a part of our National security. And it is going to be more so in the twenty-first century.

So do you have any just general comments on both of those suggestions?

Mr. KANTOR. In fact, I do. Number one, the Department of Commerce and the Office of Trade Representative, as you know so well, Senator, are cross-sectioned or overlapped in a number of areas. I would think the past may be prologue in this case.

With due respect to Senator Danforth on the Republican side and watching them for years and admiring how they do campaigns, we have never had in the Democratic Party the kind of relationship we had between the Democratic National Chair and the Chair of the Clinton-Gore campaign, meaning Ron Brown and myself.

If the past is prologue then I think some of these relationships with my great friend Warren Christopher or with Senator Bentzen—who, as you know, I worked closely with in the campaign or with Ron Brown who I just mentioned—will be very helpful in that regard, but we cannot leave it just, I think, to our personal relationships.

I think increased use of the Trade Policy Review Group, the effectiveness of Mr. Rubin of the National Economic Council will be helpful in all of those areas.

As far as the other departments, I read the same article, a number of statements, in fact, by members here in this body and in the other body.

I am a little bit wary of the over-bureaucratization of my proposed function. I think we have to be somewhat careful and cautious. I think the Trade Representative's office is fairly effective because it is small and has a very, very good core of people who are there as professionals.

On your second point, we have already moved in the area of the National Security Council as far as liaison with trade and liaison with the National Economic Council because we saw the problem that you have seen in the transition that has happened. And we want to continue that relationship in the White House.

Senator BREAUX. Thank you and good luck.

Mr. KANTOR. Thank you, Senator.

Senator MOYNIHAN. Thank you, Senator.

Senator Baucus, do you have any questions.

Senator BAUCUS. No, Mr. Chairman.

Senator MOYNIHAN. Senator Danforth, any other questions?

Senator DANFORTH. No, Mr. Chairman.

Senator MOYNIHAN. There being no further questions, the hearing is now adjourned.

[The prepared statements of Senators Roth and Hatch appear in the appendix.]

[Whereupon, the hearing was concluded at 12:34 p.m.]

A P P E N D I X

ADDITIONAL MATERIAL SUBMITTED

PREPARED STATEMENT OF SENATOR BARBARA BOXER

Mr. Chairman, Members of the Senate Finance Committee. It is my sincere pleasure to introduce Mickey Kantor, a resident of California and President-Elect Clinton's nominee to head the Office of the United States Trade Representative.

Mickey Kantor has been a partner at the Los Angeles-based firm of Manatt, Phelps, Phillips and Kantor and his distinguished career in the private sector has been matched by his distinguished career in the public sector.

Mr. Kantor is well known as an advocate for the poor and migrant worker communities and has served the less fortunate in various capacities, including as Associate Director for the National Legal Aid and Defender Association, Deputy Director and General Counsel for the Migrant Research Project, and Staff Attorney for South Florida Legal Services. Most recently, Mickey Kantor was chosen as a commissioner of the Independent Commission to investigate the Los Angeles police department in the wake of the Rodney King incident.

Mickey Kantor's historical commitment to public service, political experience and negotiating skills recommend him to head the Office of United States Trade Representative.

If our nation is to grow and prosper, then we need not only a skilled and tough negotiator but also one who understands that a single job lost to unfair trade is one job too many. Our trade deficit accentuates the need to react more quickly and aggressively when evidence of unfair trade is found.

Senator Feinstein and I have a particular interest in the Office of the United States Trade Representative as our home state of California and its citizens rely heavily upon trade for employment and income.

In 1990 alone, California exported \$58.4 billion in goods and shipped its products to 196 foreign markets around the world.

World Trade Magazine further estimates that 1.2 million Californians owe their employment to the export of manufactured goods.

Accordingly, California's economic well-being and the economic health of the nation rely upon the Office of the United States Trade Representative. I have faith that Mickey Kantor, as the head of the Office of the United States Trade Representative, will negotiate trade agreements and conduct trade affairs in a manner which creates jobs, promotes growth and prosperity and generally furthers the economic good of the nation.

I expect that Mickey Kantor will be equally mindful of the needs of workers and the important interrelationship between trade and the environment.

I know that Mickey Kantor will lead our trade negotiations in a positive direction. I appreciate the challenges and pressures he will surely face as he opens markets and lowers barriers for U.S. goods and services. I also understand the tremendous challenge of the proposed NAFTA agreement as well as the GATT.

I look forward to working with Mickey and commend the President Elect for choosing him as the nominee for the Office of the U.S. Trade Representative.

PREPARED STATEMENT OF SENATOR BOB DOLE

Mr. Chairman, the nominee before us today, will head one of the smallest agencies in the government in terms of personnel but—person for person—the Office of the United States Trade Representative probably has a bigger effect on our economy than any other agency.

The previous Chairman of this Committee, the distinguished Senator from Texas who will soon be Secretary of the Treasury, wrote and spoke frequently about the importance of trade, particularly in recent years when the economy has been weak.

The lead story in yesterday's *Wall Street Journal* backed up Senator Bentsen's views. The Journal reported:

- a doubling of merchandise exports in the last six years to the point where exports now represent 20 percent of industrial output;
- 1.5 million jobs added to the workforce from 1989 to 1991;
- and maybe most important of all, small and medium-sized firms are getting a larger share of this export business and that's where the jobs and the real growth are.

Those gains didn't come easily. Mr. Kantor's predecessor, Carla Hills, had to wave her magic crowbar every day in the face of some foreign government official whose idea of free trade was a one way street into the U.S. market.

She also had to deal with a chorus of back seat drivers in Washington who think it's possible to bash other countries' quotas and barriers while keeping our own here at home.

Mr. Kantor steps into this very difficult role while confronting two immediate trade issues of tremendous importance to this country. The first is the North American Free Trade Agreement and I know all my colleagues are most interested to hear exactly what the Administration proposes to do. The second is the Uruguay Round of negotiations under the GATT which should have ended over two years ago but may be destined for Hollywood production as "The Trade Thing That Wouldn't Die."

And along the way, the USTR still gets to deal with those perennials like Most Favored Nation status for China and opening Japan's market for rice—which I understand they produce in Arkansas—and relatively new concerns, such as the linkages between trade and the environment.

I also read in yesterday's *Wall Street Journal* that Mr. Kantor believes his negotiating experience will help him build coalitions and sell trade deals to Congress. But he'll also have to sell those deals in his own Administration and I think we all look forward to seeing how USTR fares in the inter-agency process that produces trade decisions.

Mr. Chairman, I have some questions which I would like to submit to the nominee for written answers.

I want to congratulate Mr. Kantor on his nomination. He has my best wishes for success in what is a very difficult job and I look forward to working with him.

PREPARED STATEMENT OF SENATOR DAVE DURENBERGER

Mr. Chairman, I would like to first thank Mickey Kantor for being here this morning—and to congratulate him on his nomination as United States Trade Ambassador. The position of USTR is critical to the economic growth of the United States, and I pledge my full cooperation to work with Mr. Kantor in the months and years ahead to hammer out a policy of fair and reciprocal free trade.

Unfortunately, Mickey won't have the luxury of studying up on trade policy. The North American Free Trade Agreement was signed with Mexico and Canada on December 17—and side-agreements on environment and worker's rights, promised by President-elect Clinton, need to be negotiated. The Uruguay Round of GATT would have to be initiated by March 1 or else the Fast Track procedure needs to be extended. There are also a myriad of other programs—from Super 301 to Generalized System of preferences—which Mr. Kantor will have to deal with.

This Committee is willing to work closely with you, Mr. Kantor, and give you our support. We ask, however, that you and your staff at USTR consult often with us—as was done in the Bush Administration.

The first item on your plate will be to conclude the NAFTA and navigate it through the Congress. Though I do have some concerns over the provisions related to sugar in the NAFTA, I am in support of the agreement. I strongly believe that it will increase U.S. economic growth and create jobs for millions of Americans.

A free trade agreement must be fair and reciprocal in all areas. The Canada Free Trade Agreement has hurt Minnesota wheat farmers by never fully resolving the issue of price transparency. The heavy subsidies of Canadian hog operations has also cut into the American pork producers' ability to compete. Canadian softwood lumber subsidies have dealt the American forestry industry a heavy blow. None of these issues has been fully resolved. It is my hope that you will resolve these disputes while you negotiate side agreements to the NAFTA.

Lastly, I just want to voice my support for pursuing add-on agreements to the NAFTA with the Caribbean Basin Initiative nations prior to moving on with free trade agreements with Chile or other South American nations.

PREPARED STATEMENT OF SENATOR ORRIN G. HATCH

Mr. Chairman, I wish to join you and my other committee colleagues in welcoming Mickey Kantor.

I want to make one observation at the outset, which I hope will characterize my attitude toward his nomination by President-elect Bill Clinton to be the United States Trade Representative. Regardless of how I, or anyone else, may feel about Mr. Kantor's ideology or even his professional credentials for the job of USTR, I honor his lifelong commitment to public service.

Beginning with his service as a young naval officer, followed by field service in behalf of migrant workers and immigrants—working against their economic exploitation; and in successive roles as a legal aid attorney; his service with criminal justice and campaign finance reform commissions; and even his voluntary state- and national-level political campaign activities, suggest the makings of a man who, in his own way, intends to leave a legacy of a better society than the one he was born into.

Now I'm sure that Mr. Kantor and I might have a few disagreements on some rather pithy criminal justice issues, and I positively know that I could have found a better slate of political candidates to devote his energy to. But I also know that we would come together quite fluidly on the underlying principles of public service.

However, the business before us today is his nomination. In reviewing his background, I find two sets of skills. His intuitive ability to find settlements under the worst of conditions—the inborn skills of a negotiator. And his adaptive ability to select the right people to listen to him.

In his role as USTR, he will definitely need both skill categories. At home, he will somehow have to craft a harmonious relationship between the many federal agencies that influence the making of trade policy. The problems he will face in dealing with sovereign, foreign governments will make him wish they were a mere mirror image of his pesky domestic disagreements.

If Mr. Kantor is the person I think he is, I believe he will leave political partisanship and the end of the campaign trail, and work toward a national trade policy that serves our national interests.

Without intending to be anything but helpful, I want to make three recommendations for Mr. Kantor to consider.

First, do not throw aside the experience of five years of arduous GATT Uruguay Round negotiations. Even if we have to engage in voluntary adoption of the Round's draft text, and restart Round negotiations after two years of testing the Dunkel Draft Agreement, do it. Nations need a multilateral set of trade law reference points more than they need top-down mandates.

—I admit to being a little troubled by the statement of Commerce Secretary-designate on January 6, in his testimony before the Commerce Committee. Mr. Brown said then that he would not press for a rapid conclusion of the GATT talks.

Second, bring the Western Hemisphere together. You have an unprecedented, historical opportunity to create a hemispheric trade zone. As Latin and South America democratize, and enthusiastically adopt the entrepreneurial and market philosophies that go with democracy, the Clinton administration, and you especially, can sustain this trend, creating a century of prosperity previously undreamed of. Settle NAFTA, get trade agreements with Chile and Argentina, and bind the rest of the hemisphere to these first, small steps to regional stability.

Finally, do what is fair and right for the United States. The media is criticizing the Clinton administration as one that is aflush with lawyers and lobbyists. The veils of suspicion will fade away if you begin immediately by acting in our national interest.

In closing, let me say that I would have preferred a USTR candidate with more trade experience. But, as I said at the opening of this statement, you have other virtues; and, you definitely will become very experienced, very fast.

Thank you Mr. Chairman.

PREPARED STATEMENT OF MICKEY KANTOR

Mr. Chairman, Senator Packwood, distinguished Members of the Senate Finance Committee: It is a tremendous privilege to appear before you today. I want to thank President-elect Clinton for giving me this honor—to serve this Administration and to serve my country, if recommended by this Committee and confirmed by the Members of the United States Senate as the United States Trade Representative. This office has always had a special relationship to this committee and its House counterpart. I value that relationship and will work hard to enhance it.

I have been a practicing lawyer for nearly a quarter of a century. During that time, I have been involved in hundreds of negotiations on issues ranging from aerospace to transportation, from energy to retailing. Over that same period of time, I have been involved in negotiations on behalf of migrant farm workers in South Florida, and served as a presidential appointee on the Board of the Legal Services Corporation. As founder and Chair of the Los Angeles Conservation Corps, I devoted my energies to a tough program of discipline and opportunity for young people left out of the mainstream but eager to work. In addition I supported the legal and educational needs of Hispanic Americans as a Board Member of the Mexican American Legal Defense and Education Fund. Most recently, I have had the pleasure of serving with my good friend—and one of America's most distinguished public servants—Secretary of State-designate Warren Christopher, as a member of the "Christopher Commission" investigating the policies and practices of the Los Angeles Police Department.

I have devoted my life, as a lawyer and as a civic leader, to bringing people together: to building coalitions that serve the public interest. As United States Trade Representative, I believe that I can effectively build upon that record to develop coalitions that will result in clear and consistent trade policies—policies which benefit the citizens of this country. Those coalitions must be bipartisan. We must develop them together. Trade policy does not lend itself to partisan solutions or stand apart from economic policy, and this Administration will not stand apart from Congress. I pledge to work with the members of this Committee, with all of the members of the 103rd Congress and with the private sector to ensure that our trade efforts will empower our citizens to compete and win in the global marketplace.

As this committee knows well, the incoming Administration faces an extraordinary array of challenging trade issues. I think you will understand that we have not yet formulated our policies toward many of these issues, and want to do so in consultation with you. But there are several key principles that guide my thinking, and the approach of the Clinton Administration, to the trade issues that will confront us:

Our trade policy must be part of a coordinated and integrated economic strategy. No amount of negotiating, bilaterally or multilaterally, can overcome or offset the burdens placed on U.S. companies from misguided economic policies or uncontrolled health care costs. Nor are trade negotiations a substitute for educating our children or training our workers. The Clinton Administration will not blame other countries for our own domestic shortcomings. We will not solve those problems overnight, but we will deal with them aggressively and forthrightly.

Trade policy is not the only reason that we are failing to meet the challenge of global competition, but it is still a very important factor. This Administration will favor increased trade; we believe it is vital for a growing U.S. economy. But the days when we could afford to subordinate our economic interests to foreign policy and defense concerns are long past. As President-elect Bill Clinton has noted time and again, our national security is directly related to our economic viability. We will not be guided by the assumption that other nations share our commitment to free trade and open markets, when the real world evidence makes it clear that some do not. We will insist that our trading partners join us in strengthening the international trading system.

We will work to open foreign markets to U.S. manufactured goods, agricultural products and services. Our prosperity depends in large part on our ability to export. Allowing other nations to close their markets provides them with an enormous competitive advantage in key sectors. This committee was instrumental in the bipartisan effort, spanning six years, to put in place a more realistic, effective trade policy. I pledge to you that I will use the tools you have given this office to protect and advance U.S. interests.

There is nothing academic or theoretical about the job I will undertake, if you support my confirmation. In my visits with the Senators on this committee, I benefited from your knowledge of our trade and economic problems. Each of you painted a vivid picture of the pain that many in our country are suffering from loss of jobs and economic opportunity. I travelled all over this country during the campaign that

just ended, and I want to assure you that I have seen that pain, too. I will not be able to satisfy all of you, or all your constituents, all the time—far from it—but I hope that you will know that I understand just what my efforts, and those of the Clinton Administration, mean to the people that you represent.

I pledge to carry out my responsibilities diligently to develop U.S. international trade policies and conduct trade negotiations. I will work toward consistent trade policies that other countries understand and respect. I will aggressively urge our trading partners in Europe, the Pacific Rim, and elsewhere to open their markets to American goods and services.

Specifically, I will urge other countries to reduce their tariffs and other barriers to market access in the ongoing Uruguay Round. The United States must also maintain its ability to respond effectively to foreign unfair trade practices, such as dumping and subsidization.

I will move forward to negotiate the agreements that President-elect Clinton has called for as supplements to the basic North American Free Trade Agreement (NAFTA). The supplemental agreements will deal with the environment, worker standards and safety, and unexpected import surges.

The NAFTA and GATT negotiations are only part of a wide array of pressing international trade issues that await the Clinton Administration, or will arise soon after January 20. The United States must respond to the new Utilities Directive of the European Community. We have ongoing antidumping and subsidy cases against imported steel from virtually all major U.S. trading partners. High on our agenda with Japan must be Japan's adherence to the Semiconductor Agreement; Japan's new voluntary restraint agreement for automobiles; and the continuing large Japanese trade surplus with the United States. And we must address the upcoming renewal of MFN treatment for the People's Republic of China.

I will move to carry out another important responsibility of the U.S. Trade Representative—enforcing a variety of U.S. laws and international trade agreements. The most notable of these laws is Section 301. If another country is violating a trade agreement with us or engaging in unjustifiable, unreasonable, or discriminatory acts against us, then the U.S. Trade Representative can investigate and negotiate with the other country. I see this and other laws as among the many tools that I can draw upon to help open foreign markets to U.S. exports.

Mr. Chairman, I also want to directly address the issue of the ethical and professional standards which will be defined and met not just by this office but throughout this Administration.

We campaigned throughout the country on the promise of change. Change in this context means we will slam the revolving door shut.

Like my colleagues, I have taken formal steps to insure that no prior affiliation or representation will affect my independent judgment or create even the appearance of conflict. These recusals are specifically designed for the office for which I am being considered, and they are particularly appropriate in light of Ambassador Hills' pledges four years ago.

I withdrew as a partner from the firm of Manatt, Phelps, Phillips & Kantor as of December 31, 1992. My name has been removed from the name of the firm. During my tenure as U.S. Trade Representative, I pledge to have no professional contacts with members or employees of my former law firm. I have also resigned from all boards on which I am a member.

For a period of one year, I will recuse myself from any transaction or matter which would have a unique and special effect on any entity that has been a client of my firm at any time during the past two years. I will permanently recuse myself from any particular transaction or matter involving a client which my former firm has represented concerning that transaction or matter during my association with the firm. I will also permanently recuse myself in any particular matter which I served as counsel while in private practice, although I do not anticipate that any such matter would arise before the U.S.T.R. However, unless there is some unique and special effect on the client involved, I shall not recuse myself on trade or policy matters which affect the overall industry or industries of which any of the above clients is a part.

Mr. Chairman, before I conclude this brief opening statement to respond to questions which you and your colleagues may have for me, I want to express my deep appreciation to a few very special people in my life. It was a privilege and a once-in-a-lifetime experience to serve as the campaign chair for the President-elect. The Kantor family has been blessed by the friendship of Bill and Hillary Clinton over the last 14 years. No aspect of this nomination could make me prouder than the President-elect's confidence and trust in me.

Like the Vice President-elect, I am a son of the State of Tennessee. I grew up in a family that admired and supported the Gore family. I want to express my thanks

to Vice President-elect Gore here in this chamber where he and his father before him served their country and brought such pride to those of us from Tennessee.

I could not be sitting before you today without the strength, commitment, support and love of my wife, Heidi and my three children: Leslie, Douglas and Alix. To them, I pledge to help in any and every way possible to make this country a better place for their future—and for the future of every American family.

Thank you, Mr. Chairman.

Office of the President-Elect and Vice President-Elect

Biography of Mickey Kantor

Mickey Kantor has been working for progressive causes and candidates since he helped start a legal aid program, South Florida Migrant Labor Services, four decades ago. Growing up in Nashville, Kantor learned the value of public service from his father, Henry, a furniture shop-owner who fought for integration of Nashville's public schools.

Kantor's childhood consisted of baseball and work. Work in his parents furniture store and baseball wherever the e was a field. He played shortstop in high school and college, and then, unwilling to give up his dream of the big leagues, Kantor took his skills to a professional softball league.

Since 1972, when he worked as an aide to vice presidential nominee Sargent Shriver, Kantor has played a major role in Democratic presidential politics, serving as the Chairman of the Clinton/Gore campaign in 1992. Last month, Kantor chaired the widely praised economic conference in Little Rock, bringing together talented academics, business people, labor leaders and community activists to help chart a new economic course. He also served as a member of the Transition Board of Directors.

Mr. Kantor has a long history of public service in wide range of issue areas. During the Carter Administration, he served, along with Hillary Rodham Clinton, on the board of the Legal Services Corporation. Most recently, as a member of the Christopher Commission, he proposed reforms of the Los Angeles Police Department following the beating of Rodney King.

He has served on numerous Boards of Directors including: the Center for Law in the Public Interest, the Center for the Study of Democratic Institutions, the California Commission on Campaign Financing and the Mexican American Legal Defense and Education Fund.

Mr. Kantor earned a B.A. from Vanderbilt University and a J.D. from Georgetown University Law Center. He served as an officer in the U.S. Navy from 1961-1965.

Kantor has been a partner in the law firm of Manatt, Phelps, Phillips, and Kantor since 1975. He and his wife, Heidi Schulman, have three children.

Michael Kantor
 Response to Senate Finance
 Questionnaire

Response to the Senate Finance Committee Questionnaire

A.. Biographical:

1. Name: Michael Kantor
 2. Address: 9171 Hazen Drive, Beverly Hills, CA 90210
 3. Date/ place of birth: August 7, 1939 Nashville, TN
 4. Marital Status: Married to Heidi Hoeck (Schulman)
 5. Names/Ages of children: Leslie 25; Douglas 24; Alix 9
 6. Education: Georgetown University Law Center
 Juns Doctor - June 1968
 Vanderbilt University
 Bachelor of Arts - June 1961
7. Professional Data:
- | | |
|-----------------|--|
| 1975 - present: | Partner, Manatt, Phelps & Phillips. |
| 1971-1972 | Executive Director, Action for Legal Rights |
| 1972 | Associate Director, National Legal Aid and Defender Association |
| 1970-1971 | Director, Program Development and Training Division,
Office of Legal Services |
| 1970 | Deputy Director and General Counsel, Migrant Research Project |
| 1968-1969 | Staff Attorney, South Florida Migrant Legal Services, Inc. |
| 1966-1968 | Special Assistant to Associate Administrator for Investment, Small Business Administration |
| 1965-1966 | Management Intern, Small Business Administration |
| 1961-1965 | U.S. Naval Officer |
- Consultant Positions:**
- | | |
|---------------|--|
| 1971-1972 | ABA Special Committee on Crime Prevention and Control |
| May-June 1972 | National Advisory Commission on Criminal Justice Goals and Standards |
| 1970 | White House Conference on Children |
| 1969 | National Legal Aid and Defender Association |

Michael Kantor
Response to Senate Finance
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8. Government Experience: See above.

9. Memberships:

Commissioner, Independent Commission to Investigate the Los Angeles Police Department, "Christopher Commission"
Chair, Los Angeles Conservation Corps
Board Member, California Commission on Campaign Financing
Board Member, Center for Law in the Public Interest
Board Member, Center for the Study of Democratic Institutions
Presidential Appointee, Board Member, Legal Services Corporation, 1978-1980
Board Member, Mexican American Legal Defense and Education Fund, 1977-1981; 1983-1987
National Advisory Board, California Rural Legal Assistance Foundation
National Advisory Council, American-Israeli Public Affairs Committee
Executive Committee, American Jewish Committee
State Chair, Californians for Public Broadcasting, 1980
Advisory Council, Los Angeles Institute of Contemporary Art
Committee on Public Service Law of the young Lawyers Section of the American Bar Association
Chairman of the Board of the youth Crime Control Project, District of Columbia Department of Corporations

10. Political Affiliations and activities:

National Chair, National Campaign, Clinton/Gore '92 Campaign
State Chair, Mondale for President, 1983-1984
State Chair, Brown for U.S. Senate, 1981-1982
California State Chair, Carter for President, 1980
State Chair, Citizens for California: "NO on 9", 1980
National Campaign Manager, Brown for President, 1976
State Campaign Director, Citizens for Alan Cranston, 1973-1974
Staff Coordinator, Sargent Shriver for Vice President Campaign, 1972

Over the last ten years, I have contributed to the following campaigns:

Walter Mondale - U.S. President
Ira Reiner - District Attorney
Alan Cranston - U.S. Senator

Michael Kantor
Response to Senate Finance
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John Van de Kamp
Representative Howard Berman
Representative Henry Waxman
Governor Bill Clinton
Dianne Feinstein
Representative Mel Levine

11. Honors:

Honoree - National Clients Council (Legal Services) 1970
Honoree - National Legal Aid and Defender Association 1971
Honoree - Western Center on Law and Poverty
Honoree - Social Concern Award, American Jewish Committee
Honoree - Maynard Toll Award, Los Angeles Legal Aid Foundation 1993

12. Published writings:

Kantor, National Legal Services Corporation, 30 NLADA Briefcase 7 (1971)
Kantor, Legislative Advocacy, Vol. V, No. 10, Clearinghouse Review 574
(1972)

13. Speeches: None

14. Qualifications:

I have been a practicing lawyer for nearly a quarter of a century and during that time I have been involved in hundreds of negotiations involving industries ranging from aerospace and agriculture to energy and retailing, among others. During that period of time and in those involvements, I have not only learned the specific and particular issues that were involved in the representation of the client, but have gained a working knowledge of the business involved.

In addition the city of Los Angeles has been the hub of a growing Pacific basin business and therefore, in my law practice and civic and community work, I have been involved in those issues which affect the Pacific basin and trade in that area.

One of the most important factors cited by the President-Elect when designating me to be his trade representative was the fact that I have his confidence and have worked with him closely over the years. I served as the

Michael Kantor
Response to Senate Finance
Questionnaire

President-Elect's campaign chair in 1991 and 1992 and have had a long standing personal and professional relationship with him for almost fourteen years.

In addition to a negotiating background, the trade representative must have the ability to conceptualize and develop political coalitions that will result in a consistent and clear trade policy which is comprehensive in nature and in the best interest of our country. In much of my work, both as a lawyer and as a civic and community activist as well as my political involvements, I have been deeply involved in developing such coalitions.

Some of the most effective special trade representatives over the years have not had significant experience in the trade field. The qualities which would recommend one for this job are not necessarily found in any specific area of expertise but in the general personal abilities of the person named to this post.

Lastly, I am not wedded to any particular approach or trade theology . I will look at trade problems and their solutions in the best interest of the American people. I see America's trade policy as part of an integrated economic approach by the Clinton Administration working with Congress. The United States Trade Representative will coordinate that policy and negotiate a result. In addition the United States Trade Representative has enforcement responsibilities under the existing agreements and statutes which are a vital part of the job.



United States
Office of Government Ethics
1201 New York Avenue, NW, Suite 500
Washington, DC 20005-3917

JAN 15 1993

The Honorable Daniel P. Moynihan
Committee on Finance
United States Senate
Washington, DC 20510-6200

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Michael Kantor. President-elect Clinton has announced his intent to nominate Mr. Kantor for the position of United States Trade Representative.

We have reviewed the report and have also obtained advice from the Office of the U.S. Trade Representative (USTR) concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed are a letter from the ethics official of the agency and a commitment letter from Mr. Kantor, both dated January 15, 1993, which discuss Mr. Kantor's ethics agreements with respect to recusals, resignations and certain other matters.

We have been advised by the ethics official at USTR that, with respect to item #3 of the last paragraph of the recusal undertaking, Mr. Kantor intends to recuse himself from any particular matter involving specific parties before USTR in which his former law firm appears or represents a client.

Based thereon, we believe that Mr. Kantor is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen D. Potts".

Stephen D. Potts
Director

RESPONSES OF MR. KANTOR TO QUESTIONS SUBMITTED BY SENATOR PRYOR

Question No. 1. Regarding the Uruguay Round of the General Agreement on Tariffs and Trade.

a. In an effort to come to closure quickly, what might the United States do relative to recent demands that the MTO be eliminated and that changes be made to Dunkel texts addressing TRIPS, anti-dumping, subsidies, sanitary and phytosanitary standards, technical barriers to trade, and dispute settlement (the Lavorel non-paper).

b. If the Uruguay Round cannot be brought to closure by the "fast-track" practical deadline of 15 February 1993, what actions might the Administration take to bring the negotiations to closure?

Answer. a. If confirmed as the new U.S. Trade Representative, I plan to review carefully the status of the ongoing negotiations and to consult soon with the Senate and House committees.

There are already further changes in the U.S. and European Community negotiating positions being addressed as a result of the meeting on January 2 between Ambassador Carla Hills and Sir Leon Brittan.

Rather than trying to get into details now, we can better address the specific issues after I have completed my careful review and when I come back to consult with the Senate Finance Committee.

b. Fast-track authority is important for negotiating with other countries. It provides them greater assurance that any deal reached at the bargaining table will actually be signed and implemented. It has been an important tool for U.S. negotiators since the Trade Act of 1974.

However, it seems premature to discuss any possible extension of fast-track authority. I do recognize the central role of the Committee on this issue and will consult with you before taking any action.

As for other actions that the Administration might take to bring the talks to a close, I will consider them when I am conducting my comprehensive review of the talks and when I then consult with your Committee.

Question No. 2. Regarding the North American Free Trade Agreement (NAFTA).

a. Can you comment on the timing of NAFTA implementation and the nature of any side agreements which might accompany or follow the treaty?

Answer. President Clinton indicated in his speech of October 4 and later statements that he supports the basic NAFTA agreement. However, he also called for strengthening some U.S. programs (such as worker training and assistance), and negotiating three supplemental agreements to protect the environment, strengthen worker standards and safety, and provide further safeguards against overwhelming surges in imports.

The proposed agreements on the environment and on worker standards and safety will both include commissions with representatives from the three countries, plus provisions for better national enforcement of national laws.

As for the timing of NAFTA implementation, there is no fixed schedule at this point. We will want to move as promptly as possible, but we also need to get our people in place.

The supplemental agreements will be ground-breaking. They will involve complicated negotiations. At this point, however, I would hope that NAFTA will be able to go into effect on January 1, 1994, as stated in the basic agreements.

RESPONSES OF MR. KANTOR TO QUESTIONS SUBMITTED BY SENATOR DASCHLE

Question No. 1. Please discuss the extent of your willingness to use Section 301 in those areas where our trading partners have not allowed free access for agricultural products.

Answer. Section 301 has been among our successful trade tools. I will actively and forcefully use Section 301 to pursue U.S. trade interests, including agricultural interests. You have my commitment on that.

Question No. 2. You did not mention agriculture specifically in your opening statement. Please discuss your views on the current agriculture provisions in NAFTA and the GATT.

Answer. Agriculture accounts for 10% of our exports. Our trade agreements need to strengthen the ability of our farmers to export goods abroad by increasing market access and by cutting back on excessive foreign subsidies.

On the NAFTA, the President has stated that he does not intend to renegotiate the basic NAFTA agreement, but he has called for improved U.S. programs and for the negotiation of three supplemental agreements, including one to deal with overwhelming import surges. The improved U.S. programs will provide assistance to farmers who are threatened by NAFTA. This includes strict application of American

pesticide requirements on imported food. It also includes helping growers shift to alternative crops, and ensuring that farmers who may lose out to competition should be just as eligible for transition assistance as workers in businesses and communities.

On GATT, I will be taking a close look at the Blair House Accords. I also will look at some of the other important agricultural provisions, such as tariffs and other barriers to market access, that were not addressed in the Blair House Accords. I would appreciate your views on where improvements are needed.

Question No. 3. What will your recommendations be with respect to the GATT if we are unable to reach an agreement on agriculture?

Answer. No deal is better than a bad deal. If we are unable to reach an agreement on agriculture, there will be no GATT deal. However, I am optimistic that we will be able to negotiate good provisions that will benefit U.S. agricultural interests.

RESPONSES OF MR. KANTOR TO QUESTIONS SUBMITTED BY SENATOR DOLE

Question No. 1. Could you please provide the Committee with a copy of the ethics agreement you have signed as required by the new Administration?

Answer. I have not yet signed the ethics commitments for Executive Branch appointees adopted by President Clinton. The President issued the Executive Order that sets forth those commitments following his swearing in on Wednesday. As I understand it, I will shortly be presented with a copy of the newly promulgated commitments for my signature at the time I am sworn in. I do not have a copy of the Executive Order containing the precise terms of the commitments, but I will be happy to provide one to the Committee when I obtain it.

Question No. 2. While the agreement may bar you from lobbying your own organization (USTR) after you leave, in fact major decisions on trade and economic policy are influenced by several agencies in the USG with the decision often going to the President. Under the agreement, therefore, would you be allowed to lobby other agencies such as the Commerce Department, Treasury, the National Security Council and the new National Economic Security Council? Could you lobby President Clinton or Vice President Gore?

Answer. Subject to the provisions of the Executive Order, following my service as United States Trade Representative, I will be permitted to represent domestic clients before other executive agencies of the government, except the Executive Office of the President or any other agency with respect to which I had personal and substantial responsibility as USTR. As a former trade negotiator, I will not be permitted to represent, aid or advise any foreign government, foreign political party or foreign business entity with the intent to influence a decision of any officer or employee of any executive agency in carrying out his or her official duties. Because the Office of the USTR is within the Executive Office of the President, I will not be permitted to lobby the President, the Vice President or others in the White House for five years after I leave the Office of USTR.

Question No. 2. Does the ban on representing foreign governments apply to foreign entities owned by foreign countries? For example, after leaving USTR could you represent Airbus or a non-profit foundation owned by a foreign government? In such cases, what criteria would determine foreign ownership? Would you be able to lobby on behalf of American subsidiaries of foreign corporations?

Answer. The ban on representing foreign governments adopts the same definition of the term "government of a foreign country" that is used in section 1(e) of the Foreign Agents Registration Act, 22 U.S.C. Section 611(e). As a trade negotiator, I would be subject to a further five-year ban on representing foreign business entities. The Executive Order implementing the new ethics commitments defines a foreign business entity as "a partnership, association, corporation, organization or other combination of persons organized under the laws of or having its principal place of business in a foreign country." Thus, I would be barred from representing before Executive Branch agencies any business entity that met that definition.

Question No. 3. After leaving USTR, will you be allowed to advise coworkers or clients on lobbying that agency?

Answer. After leaving the Office of USTR, I will not be permitted to advise coworkers who are representing foreign governments, foreign political parties or foreign business entities with respect to matters pending before the USTR or in any other Executive agencies for five years. Likewise, I will not be permitted to directly advise such foreign parties on matters at the USTR or elsewhere in the Executive Branch. During that period, I will be permitted to represent domestic clients, although not before the Executive Office of the President, including the Office of USTR.

Question No. 4. Will you be allowed to contact your former agency to request appointments for co-workers or clients?

Answer. During the five years following my service as USTR, I will not contact my former agency to request appointments for co-workers or clients with the intent to influence official actions of the USTR in any way at all.

Question No. 5. Could you be involved in preparing legal documents, statements and draft legislation affecting matters under the jurisdiction of USTR after you leave?

Answer. The Executive Order prohibits former trade negotiators from representing, aiding or advising foreign governments, foreign political parties or foreign business entities with the intent to influence official action of any executive agency for a period of five years. This would include preparing legal documents or other statements. The Executive Order and related ethics commitments would permit me to prepare such documents on behalf of domestic clients, but not to appear or sign my name to documents being filed with the agency on behalf of even domestic clients for five years after I leave the agency. The Executive Order and related commitments do not extend to activities before Congress, including drafting proposed legislation.

Question No. 6. Please list all the foreign governments, foreign-owned entities (including corporations, think tanks and non-profits) with which Manatt, Phelps, Phillips & Kantor has done business during your time with the firm.

Answer. My former law firm represented NEC during my tenure, which representation is public knowledge. Due to the attorney-client privilege, I am unable to provide this Committee with additional information.

OFFICE OF THE PRESIDENT-ELECT AND VICE PRESIDENT-ELECT,
Washington, DC, January 21, 1993.

Hon. PATRICK MOYNIHAN,
U.S. Senate,
Committee on Finance,
Washington, DC

Dear Chairman Moynihan: I would like to supplement my answer to Question 6 from Senator Dole. I submitted my response to that question this morning. The question asks for a list of foreign governments and foreign-owned entities with which Manatt, Phelps, Phillips & Kantor has done business during my time with the firm. I am disclosing representations that are a matter of public record and hence would not violate the attorney-client privilege. Please add the additional information to my response:

Manatt, Phelps, Phillip & Kantor represented Jamaica, Cypress and Jamaica Broadcasting. The firm's representation of Jamaica and Jamaica Broadcasting terminated in 1985. The representation of Cypress ended in July 1992.

Sincerely,

MICKEY KANTOR

Question No. 7. Please provide summaries of all work you have done for the above clients.

Answer. Over a seven-year period, I billed less than five (5) hours on an NEC matter involving California environmental regulations and laws.

Question No. 8. Please provide work done for foreign entities outside your work with the firm.

Answer. None.

Question No. 9. Please provide a list of all foreign travel during your time with the firm. Was any of this travel paid for by a foreign government or entity? Were you and your firm reimbursed in any way for payment for this travel?

Answer. I have provided a complete summary of this information in my FBI report. None of my travel was paid for by a foreign government or entity. The law firm was reimbursed by Northrop for a trip to Israel.

Question No. 10. Please provide the Committee with a statement of the issues and former clients of your law firm from which you will recuse yourself during your tenure as USTR. Please also state the time for which those recusals will apply.

Answer. The letter of recusal the Office of Government Ethics has approved describes the matters from which will recuse myself and the applicable time period. A copy of that letter has previously been provided to this Committee. I shall provide the Office of the Trade Representative with a computerized means of checking any

possible conflicts regarding my former law firm clients during the relevant period of time set forth in my recusal letter.

Question No. 11. Will these ethics guidelines apply to any other officials of the USTR's office? If so, please list the titles of those officials.

Answer. All employees of the Office of USTR are subject to the Ethics in Government Act and the implementing regulations. All those appointed to their positions after January 20, 1993 who participate personally and substantially in trade negotiations will be subject to certain restrictions under the new Executive Order, and all "senior appointees," as that term is defined in the Executive Order are subject to the full range of restrictions the Executive Order imposes on me. The Deputy USTRs appointed hereafter are among the senior appointees in the Office of USTR to whom the new ethics commitments will apply.

RESPONSES OF MR. KANTOR TO QUESTIONS SUBMITTED BY SENATOR ROTH

Question No. 1. What do you consider to be our top trade priorities?

Answer. There are a number of important issues on the front burner. These include negotiation of the NAFTA supplemental agreements and the on-going GATT negotiations. Among the other important matters are the U.S. response to the new Utilities Directive of the European Community; the ongoing antidumping and subsidy cases against imported steel from almost all the major U.S. trading partners (with an important preliminary decision in the dumping cases due to be announced by the Department of Commerce next week) a variety of simmering trade matters with Japan, including Japan's adherence to the Semiconductor Agreement, Japan's new voluntary restraint agreement for automobiles, and its continuing large trade surplus with the United States and the whole world; and the question of renewal of most-favored-nation (MFN) treatment for China.

Question No. 2. President-elect Clinton has stated that he will negotiate supplemental agreements with Mexico on the environment and labor. Will you be the lead negotiator for these negotiations?

Answer. Yes. The President Clinton has asked me to be the lead negotiator. This is consistent with history and the laws.

On the supplemental labor agreement, I will be working with, among others, Bob Reich of the Department of Labor. On the environmental agreement, I will be closely consulting with Carol Browner at the EPA and the Department of State. In addition, Vice-President elect Gore will be involved with the environmental supplemental agreement. Given his expertise in the area, his input will be extremely valuable. And of course, the White House and Bob Rubin at the National Economic Council also will be involved in the negotiations.

Question No. 3. One of the key issues on NAFTA will be devising a worker adjustment program. As the President-elect negotiates a supplemental agreement on labor-related issues, do you believe there is an opportunity to negotiate a transitional, *de minimis* border fee to cover the added costs of any NAFTA worker adjustment programs?

Answer. How to fund worker assistance programs and environmental clean-up is an important issue. We will be considering a full range of funding options. It is too early to get into specifics now. However, I fully intend to consult with this Committee as our analysis progresses.

Question No. 4. Will the USTR be on the newly-created National Economic Council and, if so, what will your specific role be? What role, if any will the NEC have with regard to the USTR's authority in leading the interagency process on trade policy matters?

Answer. The President is reorganizing government so that we will have strong coordinated policies leading to economic growth. The National Economic Council will have an important role in this effort. The specifics of how the National Economic Council will function are currently being fleshed out.

However, the U.S. Trade Representative will be a member of the National Economic Council. I look forward to working closely with Bob Rubin and others in the Administration to ensure that we have a coordinated and integrated approach to international trade issues.

Question No. 5. Secretary of Commerce-designate Ron Brown stated during his confirmation hearing that the Commerce Department would be the lead agency on trade policy. In light of the fact that it is the USTR that has this responsibility by law, I see the potential for major battles for trade leadership within the Executive Branch, involving mainly the USTR and the Commerce Department. I also believe that we need a Cabinet-level Trade Department, which would bring together the USTR and the International Trade Administration of Commerce and would address the traditional problem of bureaucratic battles for trade leadership. Do you believe

there is room for organizational change along these lines during a Clinton Administration?

Answer. We will be looking at organizational issues. I believe the President recognized the need for better organization in establishing the National Economic Council. We are aware of the thoughtful proposals on how to better organize the government, and we will be considering them.

I do want to emphasize that we on the President's team in the trade area know one another and have often worked together. During the campaign, when I was chairman of the campaign and Ron Brown was the head of the Democratic National Committee, we worked together better than any two people in those positions before. I have known Bob Rubin for years. I know and respect your former Chairman, Senator Bentsen.

This team will not get bogged down in bureaucratic turf wars. There is too much to be done to get this country moving again.

I do note that President-elect Clinton, my long-time friend, declared his full confidence in me when he designated me as his choice for the U.S. Trade Representative. I also recognized that the USTR has primary responsibility for developing and coordinating the implementation of international trade policy, both historically and under the law. The U.S. Trade Representative also is designated as the principal advisor to the President on international trade policy and has the lead responsibility on trade negotiations.

The Commerce Department also has important trade responsibilities. For example. It is responsible for enforcing our dumping and subsidy laws.

Question No. 6. What are your views on U.S.-Japan trade relations, particularly with respect to the Structural Impediments Initiative and our bilateral trade in autos?

Answer. I believe that we need to undertake a comprehensive examination and analysis of our trade policies with Japan. The policies of the past Administration often seemed to be uncoordinated and ad hoc. In the meantime, I expect Japan to honor the commitments it has made and the agreements it has entered into.

Concerning the Structural Impediments Initiative, it is something we will be examining. It is useful to have discussions with Japan, but the results of the Structural Impediments Initiative appear uncertain. I would appreciate your views on this issue.

Trade in automotive products with Japan remains troubling. It accounts for about 2/3 of our trade deficit with Japan. The Bush Administration's efforts at opening the Japanese market to U.S. vehicles and parts have met with only limited gains. I am not yet prepared to discuss the specific steps to be taken, but I remain mindful that this must be a top priority.

Question No. 7. Do you believe we should conclude the Uruguay Round before the expiration of existing fast-track authority?

Answer. Whether or not an agreement can be completed before March 2 is not clear yet. President Clinton will, of course, continue to support reaching a good agreement.

As I mentioned in my opening statement to the Committee, I know that there are important questions about several parts of the negotiations. One of the early steps I want to take after my confirmation, assuming I am confirmed, is to meet with this Committee to review where matters are in the Uruguay Round.

Question No. 8. If the Uruguay Round cannot be brought to closure before the expiration of fast-track, will the Administration seek its reauthorization?

Answer. Fast-track authority is important in negotiating with other countries. It provides them greater assurance that any deal reached at the bargaining table will actually be signed and implemented. It has been an important tool for U.S. negotiators since the Trade Act of 1974.

However, it seems premature to discuss any possible extension of fast-track authority. I do recognize the central role of the Committee on this issue and will consult with you before taking any action.

RESPONSES OF MR. KANTOR TO QUESTIONS SUBMITTED BY SENATOR DURENBERGER

Question No. 1. Do you believe that the systems of verification of rule of origin requirements in the NAFTA are sufficient to protect American farmers from transhipments of heavily subsidized European and South American Products into the U.S. market?

Answer. I believe in strong enforcement of trade agreements, including the rule of origin requirements. If this requires more resources for our U.S. Customs Bureau and other enforcement mechanisms, I will support it.

As for the specific systems for verifying the NAFTA rule of origin requirements I will need to study them further. I will want to consult with you and others about this.

Question No. 2. Would you be willing to expand the proposed 10-year phaseout of U.S. Section 22 import protection on refined sugar and sugar-containing products from Mexico to 15 years?

Answer. Although President Clinton supports the basic NAFTA agreement that was signed on December 17, he has called for a supplemental agreement on unexpected import surges. In the context of negotiating this agreement, issues regarding these imports you mention can be addressed.

Question No. 3. Would you support creating a U.S.-Mexican-Canadian Sugar Commission to review and verify that the provisions of the NAFTA are not being violated?

Answer. This is certainly an idea worth exploring. However, I will need to review carefully the present plans and capabilities for enforcing the NAFTA provisions, including those dealing with sugar. I will look forward to consulting with you and other members of Congress.

Question No. 4. If the NAFTA is ratified, what nation—or set of nations—would you see as the next most eligible for the United States to enter into a free trade agreement with?

Answer. President Clinton has already indicated an interest in extending NAFTA to Chile. He has also indicated a willingness to reach out to other market-oriented economies of Central and South America to expand even further.

However, each case must be taken on its own merits. And each country will have to negotiate with the NAFTA countries to gain acceptance.

RESPONSES OF MR. KANTOR TO QUESTIONS SUBMITTED BY SENATOR GRASSLEY

Another area of special concern to me is the nexus between trade policy and antitrust policy.

Few of our trading partners have antitrust enforcement which is as vigorous as the U.S., where firms that work as cartels face private treble damage lawsuits and severe criminal penalties. While most of our trading partners purport to adhere to basic antitrust rules, none have as strong an antitrust enforcement regime. Indeed, in some nations, like Japan, there is very little antitrust enforcement. The consequence is that foreign firms can form domestic cartels that allow them to exclude foreign competition, and to have an improper competitive advantage in export markets.

In conjunction with the Justice Department's Antitrust Division, the current trade representative took a tough stance to improve Japanese antitrust enforcement, and to work with our trading partners to negotiate strong bilateral antitrust cooperation agreements.

Question No. 1. Will you commit to continuing in this direction, and perhaps to even take an even more insistent position on consistent international adherence to the rules of free competition?

Answer. I believe strongly in free competition, and in the need for many other countries to improve their efforts against anticompetitive practices. I want to analyze what the best approach should be to achieve this. It might be greater enforcement of our own antitrust laws, or new bilateral agreements, or efforts to get other countries to enforce their own laws when U.S. interests are injured, or greater efforts to obtain international adherence to standards promoting free competition and prohibiting anticompetitive practices.

Question No. 2. Will you consider using tools at your disposal, such as the antitrust provisions of the 1988 Trade Act, to make certain that our trading partners don't tolerate exclusive, illegal cartels that inhibit free trade? What direction will you take on the use of antitrust laws to make trade fairer?

[The Act added language allowing proceedings against foreign producers who operate exclusive cartels in violation of their own domestic (home country) antitrust laws]

Answer. I believe in strong enforcement of our existing laws, including our antitrust laws. Further, as stated above, I believe that many other countries should improve their efforts against anticompetitive practices. I want to analyze what the best approach should be.

RESPONSES OF MR. KANTOR TO QUESTIONS SUBMITTED BY SENATOR HATCH

Question No. 1. Ron Brown said on January 6, before the Commerce Committee, that the Commerce Department is the lead trade policy agency. The USTR, he said, will negotiate trade agreements.

SINCE TRADE POLICY FORMS THE BASIS OF YOUR NEGOTIATIONS, DOES THIS MEAN YOU WILL BE TAKING ORDERS FROM RON BROWN?

Answer. We on the President's team in the trade area know one another and have often worked together. During the campaign, when I was chairman of the campaign and Ron Brown was the head of the Democratic National Committee, we worked together better than any two people in those positions before.

This team will not get bogged down in bureaucratic turf wars. There is too much to be done to get this country moving again.

I do note that President-elect Clinton, my long-time friend, declared his full confidence in me when he designated me as his choice for the U.S. Trade Representative. I also recognize that the U.S. Trade Representative has the primary responsibility for developing and for coordinating the implementation of the U.S. international trade policy, both according to history and the law. I intend to coordinate with Ron Brown and others on U.S. trade policy.

The U.S. Trade Representative also is designated as the principal advisor to the President on international trade policy and has the lead responsibility on trade negotiations.

The Commerce Department also has important trade responsibilities. For example, it is responsible for enforcing our dumping and subsidy laws.

Question No. 2. In your September 29, 1992, op-ed in the *New York Times*, you were somewhat confused in calling antidumping and counter-vailing orders taxes. My question is as follows: Ron Brown told the Commerce Committee he would vigorously enforce anti-dumping and countervailing orders. Do you see yourself coming into opposition with Brown, since you seem to object to our strong antidumping laws?

Answer. I support strong U.S. laws to deal with unfair trade practices, such as dumping and subsidies. I am very well aware of the concerns of members of the Committee about any changes that would weaken these laws.

I will consult closely with you on these laws. I recognize the importance of not allowing our trade laws to be weakened.

Concerning the September 29, 1992 op-ed article, I referred to antidumping and countervailing duty orders as taxes because they result in increases in duties for U.S. importers. These duties are paid into the U.S. Treasury.

Question No. 3. What specific trade policies do you see Ron Brown advocating?

Answer. I cannot speak for Ron Brown on specific trade policies. However, as a general matter, I am sure that he and all members of the Administration view trade policies as part of our broader economic policies. We intend to develop coordinated trade policies that will encourage economic growth and prosperity.

Question No. 4. What role will the new National Economic Council play in trade policy formulation?

Answer. The President is reorganizing government so that we will have strong coordinated policies leading to economic growth. And expanding trade, including U.S. exports, is a central feature of his economic strategy.

The National Economic Council will have an important role in developing coordinated policies for growth. The specifics of how the National Economic Council will function are currently being developed. I look forward to working closely with Bob Rubin and others in the Administration to ensure that we have a coordinated and integrated approach to international trade issues.

RESPONSES OF MR. KANTOR TO QUESTIONS SUBMITTED BY SENATOR CRAIG

Question No. 1. International Infringement—In the international marketplace, infringement of copyrighted designs and materials is common. If the culprits do not import the pirated product into the U.S. they can successfully operate outside the reach of U.S. enforcement. This costs American industry millions of dollars in lost sales and, ultimately, lost jobs. As the United States Trade Representative, will you assist Congress and industries which are injured under the present situation in developing additional remedies and safeguards for the protection of intellectual property rights?

Answer. Yes. In particular, I want a good agreement on intellectual property as part of the GATT Uruguay Round negotiations. I will be monitoring copyright infringement issues around the world, and if I find unfair trade practices, I will consider using Section 301. The U.S. Government also has available to it other trade remedies, such as Section 337.

Question No. 2. Textile Fabric Designs—"Knock offs" of copyrighted textile fabric designs is a particularly acute international problem relating to copyright infringe-

ment. Will you consult with industry and company representatives to develop administrative and legislative approaches to address this problem?

Answer. Yes, I look forward to consulting with industry and company representatives to develop administrative and legislative approaches to address the problem of "knock offs." I want to hear about unfair trade practices and work with industry to combat them. I also will greatly value your input on how we should tackle these difficult issues.

Question No. 3. GATT Negotiations—There is some question about the adequacy of the rules for protecting intellectual property rights in the GATT. Would you favor additional discussions and a strengthening of the proposed rules in this area?

Answer. I am presently evaluating all aspects of the GATT negotiations. Nothing has been finalized, and there are a number of areas where I would like to see improvements. The U.S. is a world leader in intellectual property, and I want to make sure we negotiate good rules. I look forward to working with you on the intellectual property issues.

RESPONSES OF MR. KANTOR TO QUESTIONS SUBMITTED BY SENATOR WALLOP

NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

Question. After his meeting with President Salinas, President-elect Clinton stated that he did not believe that NAFTA needed to be reopened. He did say that outstanding environmental and labor issues needed to be addressed. What are your negotiating objectives in those areas? Does the President-elect plan to appoint a special envoy to negotiate these improvements, as has been reported? Will that person be acting under your direction and control? When do you plan to transmit the Agreement to the Congress for approval?

Answer. In his State of the Union address on February 17, President Clinton reaffirmed his support for the North American Free Trade Agreement. He said that economic growth depends as never before on opening up new markets overseas and expanding the volume of world trade. The successful completion of a NAFTA, with appropriate safeguards for our workers and for the environment, is part of his national economic strategy to insist on fair trade rules in international markets and to expand trade.

In the supplemental negotiations, our overall objective is to reach agreements that bring concrete improvements in the environment and in worker standards and safety, addressing concerns that the President raised during his election campaign.

I shall coordinate the U.S. negotiating efforts on these supplemental agreements. I will consult with other senior officials, and my staff will draw on the expertise of relevant government agencies to help us conduct these negotiations. We will, of course, consult with the Congress, private sector, labor and non-governmental organizations as appropriate.

We will kick off this negotiation in Washington the week of March 15. My deputy-designate Rufus Yerxa will lead that session for the U.S. My counterparts and I will monitor all aspects of the talks and be prepared to intervene if needed to keep them moving briskly and effectively.

President Clinton has made clear that he does not want to re-open the basic NAFTA text that was signed by the three countries on December 17, 1992. We intend to move forward promptly with Mexico and Canada to complete the necessary steps, including negotiating the supplemental agreements, to allow the NAFTA package to go into effect, as scheduled, on January 1, 1994. However, we will not ask Congress to vote on NAFTA implementing legislation until these agreements are concluded.

GATT: EC AGRICULTURAL POLICY

Question. At the same time the United States is seeking to reduce EC subsidies on agricultural products, the Europeans recently announced that they are expanding their common agricultural policy to cover new areas, including banana imports. This apparently is being done under the ruse of "tarification." However, these kinds of tariff rate quotas will cause tremendous economic hardship in the exporting countries of Latin America and the U.S. companies operating there. They represent a large step backwards in efforts to liberalize trade in agricultural products. They will increase pressure on our foreign aid budget for these countries and might eventually lead to increased cocaine production in these countries. I understand several countries are planning to file complaints against this new round of EC protectionism. How will the United States react to these developments under the Clinton Administration?

Answer. Unlike every other agricultural commodity, the European Community (EC) currently lacks a common import system for bananas. France, Britain, Spain, Portugal, and Italy use import quotas to give access to high-cost bananas of former colonies and overseas territories. Germany has a free market and other EC Member States only apply a tariff, and these markets are very important to low-cost banana producers in Latin America. The 1992 Single Market initiative, which eliminates internal borders, has forced the EC to develop a common banana policy. This process has been very contentious within the EC.

In early February, Member States voted by a qualified majority on the regulations to implement a new system. The new banana import system will use a tariff-rate quota, and will allow 2 million tons of Latin American bananas to enter at low tariffs. EC imports of Latin American bananas are estimated to be 2.4 to 2.7 million tons in recent years.

The United States and other GATT parties have urged the EC to adopt a new banana system that is consistent with GATT rules and Uruguay Round principles for tariffication. Tarification is intended to change the form of border protection, not to increase protection. We are generally concerned that the EC is using the Uruguay Round as a vehicle to increase protection and limit market access.

We have supported Latin American efforts in the GATT for fair treatment of their banana exports by the EC.

GATS

Question. The draft General Agreement on Trade in Services has come under severe criticism from many services sectors. United States negotiators, in what many observers regarded as a serious blunder, agreed—then objected—then agreed once again to the application of most-favored-nation principles to trade in services.

Most favored nation treatment has been an important GATT obligation. It prevents the use of discriminatory tariffs. In other words, it depoliticized the tariff system at the end of the War. It does not, however, liberalize trade. In fact, it tends to sanctions protection of domestic industries by legitimizing non-discriminatory trade barriers such as tariffs. So it remains a complete mystery to at least this Senator why we agreed to this obligation as the most important, or core, obligation in the services text. There are no tariffs on services. What we needed was national treatment and market access guarantees for our industries.

The current text on services does not do that. Most favored nation treatment and a host of safeguards have become its general obligations. Market access and national treatment benefits are optional, to be negotiated later, if at all. And since they have to be negotiated on an MFN basis, countries that don't deserve that treatment can get a free ride. We can't retaliate or withdraw national treatment from those countries because we are MFN bound. As a result, real progress on trade liberation has become more difficult.

This is a classic example of why the U.S. fares so poorly in international trade negotiations. We failed to consider carefully our objectives in these negotiations and we made naive mistakes. I understand now that the transportation, entertainment, telecommunications and financial services sectors have all expressed dissatisfaction with the GATS agreement. In fact, it is unclear whether there are any major supporters of the text left.

It seems that the principal effect of the GATS will be to subject trade in services to a new, burdensome regulatory trade bureaucracy, which may have been the EC's objective all along.

I realize this is not your fault, but how do you plan to handle this problem? After all, the agreement on trade in services was intended to be one of the major accomplishments of this round and so far it has been a major disappointment.

Answer. I fully share your concern that the services agreement, if not negotiated properly, could result in a "free rider" problem. It is obvious to me that if our services industries draw this basic conclusion at the end of the Round, we will have virtually no support for it in Congress.

You can be sure, however, that I will not submit a "free rider agreement" to the congress. The only possible basis for a healthy agreement is for it to contain meaningful commitments to market access and national treatment in a cross-section of services sectors.

The draft services agreement itself provides more opportunities for leverage against free riders than is suggested in your question. The most important example is the provision, inserted in the Draft Final Act (DFA) at the insistence of the United States, allowing countries to take an exemption to MFN for a particular sector. The United States has already served notice to the GATT participants that it is prepared to invoke the MFN exemption for a number of sectors, including financial

services, basic telecommunications, maritime services, and those aviation services not otherwise left out of the agreement itself. In addition, the DFA gives any country the right not to apply the benefits of the entire agreement to individual countries. Several important countries have been warned at the highest level that we are prepared to invoke non-application against them if their commitments to market access and national treatment in services are not improved.

Virtually every trade negotiation produces the most important break-throughs toward the very end of the negotiating process. This was certainly the case in the recently completed North American Free Trade Agreement. Clearly, we are not at the "end game" stage of the Uruguay Round in both goods and services. However, I believe it is somewhat presumptuous to assume that we are prepared to accept essentially what is on the table at the present time. Indeed, I recently warned Sir Leon Brittan, the EC Commissioner for External Affairs, that President Clinton is more interested in obtaining a comprehensive result at the expense of some additional negotiating time to obtain it.

Shortly, we will be seeking extended fast track authority to complete the Uruguay Round. I can assure you that my intentions in this regard are to achieve meaningful liberalization commitments in goods and services. This Administration does not want a deal at any cost. We are seeking a result that will have a cross-section of support from U.S. workers and industries.

TRANSPORTATION SERVICES

Question. Right now, U.S. transportation industries compete in international markets under bilateral reciprocity regimes. In other words, foreign companies cannot operate here unless—and only to the extent that—our companies are also allowed to operate freely abroad. That's certainly true of airlines.

All transportation sectors (air, maritime and trucking) have asked to be excluded from the GATS, because it will interfere with the benefits they currently enjoy. The Europeans, not surprisingly, disagree, and have pressed for inclusion of transportation marketing issues in the GATS.

The United States has apparently given in to European demands on critical issues such as computer reservations systems for airlines, even though GATS inclusion could allow the EC to continue to discriminate against U.S. airlines in these areas. I would like to bring to your attention a letter from the airline industry, addressed to then Deputy United Trade Representative Julius Katz, objecting to this development. It explains how serious the problems created by the GATS will be.

I want to know what action you can take to ensure that U.S. transportation industries are not disadvantaged by the GATS.

Answer. The only transportation sector whose exports abroad are governed strictly by bilateral agreements is civil aviation. The draft GATS text contains special provisions that exclude from the agreement all traffic rights and "directly related" activities. Under the GATS, only three civil aviation activities can be subject to market access commitments: certain repair and maintenance services, advertising and marketing, and computer reservation services. The United States has consistently made it clear in the GATS negotiations that it will make no commitments to market access, national treatment or to Most-Favored-Nation for computer reservation services because they can be negotiated more effectively through the network of bilateral agreements that exist in civil aviation. We have taken the same position with respect to advertising and marketing services.

In maritime, the United States has resisted the approach urged by the Europeans and many developing countries to govern trade through a system of bilateral cargo sharing agreements. Other countries have pressed the United States to make some commitments in the maritime sector. Nevertheless, the United States has taken no obligations to market access or to national treatment, and we have made it clear that we are prepared to take exemptions to the provision of Most-Favored-Nation in this sector.

Finally, in the area of trucking, the principal trade issues involve trucking activity with Canada and Mexico. The NAFTA contains provisions dealing with trucking. In the Uruguay Round, the most important issue is whether a foreign trucking company can invest in another country. With some exceptions as set forth in the NAFTA with respect to Mexico, the United States does not have restrictions on foreign investment in trucking. It seems in our best interest to assure that we have similar opportunities in other countries.

PREPARED STATEMENT OF SENATOR HARLAN MATHEWS

Mr. Chairman, it is a pleasure for me to introduce Mr. Mickey Kantor to the Finance Committee this morning. Mr. Kantor is a fellow Tennessean, whose southern roots run deep. A native of Nashville and a graduate of Vanderbilt University, Mr. Kantor's father Henry ran a small business and served on the board of education during the period of the *Brown v. Board of Education* Supreme Court ruling. In fact, Henry Kantor was dismissed from the board for his support of integration. Mr. Kantor's family was very active in civic affairs, and he has often said that his interest in public service was fostered while growing up in Tennessee.

A distinguished attorney and partner in his firm, Manatt, Phelps, Phillips, and Kantor, he has long been an advocate for legal rights, civil liberties, and a champion of the needy. Mr. Kantor founded the South Florida Migrant Legal Services, was an associate director of the National Legal Aid and Defense Association, and the executive director of Action for Legal Rights.

He has also served in an advisory capacity on several special panels and commissions, including the White House Conference on Children, National Advisory Commission on Criminal Justice Goals and Standards, and the commission chaired by Warren Christopher to investigate practices within the Los Angeles police department, following the Rodney King beating.

Today, as we strive to compete in the global marketplace, international trade and our relationships with our trading partners will be of key importance to our Nation's economic security and growth.

The U.S. Trade Representative will play a pivotal role in working to ensure that markets remain open, that our trading partners are fair, and that we continue to expand our trading opportunities within the global marketplace.

Mr. Kantor's finely tuned negotiating skills, his valued counsel, and political acumen should serve President Clinton well as we move toward further trade agreements with Canada and Mexico, and completing the global GATT talks.

PREPARED STATEMENT OF SENATOR WILLIAM V. ROTH, JR.

Today's confirmation hearing concerns one of our nation's most critical government posts, namely, the position of our leading trade spokesperson, trade negotiator and trade policy advocate, the United States Trade Representative (USTR). In many respects, I can think of a no more challenging time for the office of the USTR than today. It will have the lead responsibility for concluding and implementing some of the most significant trade negotiations ever launched—NAFTA and the Uruguay Round. It also will have to continue to assertively address major market access problems with Japan, Europe and other trading partners, and ensure that the panoply of past and future trade agreements are fully lived up to. These are just a few of the enormous challenges on our nation's trade policy agenda.

There are two specific trade issues I would like to raise briefly. The first concerns what I view as one of the most important aspects of the NAFTA negotiations—providing effective worker adjustment assistance to those who may be hurt by NAFTA and finding the means to pay for it. While I recognize that the actual content of any NAFTA-related worker adjustment program is a domestic concern, I strongly believe that funding such a program should be achieved through the negotiation of a temporary, small border fee on trade between Mexico and the United States.

I have advocated the pursuit of this approach for many years because of my fundamental belief that the major beneficiaries of trade liberalization should be willing to help those who are hurt. This approach was endorsed by Congress, as well as by major importing groups, in a provision I authored in the 1988 trade act which called for the United States to table a proposal in the GATT to allow the multilateral imposition of a de minimis import fee for worker adjustment programs. My good colleague, Senator Moynihan, and I called for a similar approach with Mexico soon after the NAFTA negotiations were launched as part as legislation we introduced. Most recently, in a letter to the president-elect, I urged him to make this an objective in reaching any supplemental agreement with Mexico on labor. Although some of my colleagues have endorsed this approach for environmental purposes, such as my good friend Senator Baucus, I feel strongly that it should be confined to worker adjustment programs.

The second major issue I would like to raise is the increasingly evident need for a single, strong cabinet-level Department of Trade. Quite simply, there can be no strong trade policy absent a strong trade organization.

Not only must the USTR have greater resources in line with its ever growing negotiating agenda, but we have just got to eliminate the myriad of voices, turf battles and divided leadership on trade within the federal bureaucracy.

In the area of export promotion, for example, the General Accounting Office has, in a series of reports, demonstrated the organizational mess in our export promotion programs, which are spread among a dozen agencies. In its transition report on International Trade and Commerce issues, it is interesting to note that the GAO characterized the Department of Commerce as likely facing "the most complex web of divided authorities" within our government, concluding that the current components of Commerce need to be carefully examined with an eye toward "spinning off or eliminating those components that do not fit."

The problem now is that there remains a division of turf at exactly the time a single leader is needed to run trade policy. As you know, we are in the midst of concluding two monumental trade agreements—NAFTA and the Uruguay Round. And I would suspect that Mr. Kantor, as the United States Trade Representative, will be deeply involved in negotiating a successful conclusion to both these agreements with our trading partners. But it interested me, more than just a little bit, that Secretary of Commerce-designate Ron Brown testified on January 6th, that he would make Commerce "the lead agency on trade policy."

It is essential that we establish a Department of Trade to be in charge of all major functions pertaining to our nation's trade interests. As you may know, I, along with Senators Dole, Moynihan, Boren, Cohen and Lieberman, introduced legislation last year to reorganize and revitalize our government's trade functions. And I would expect that legislation to be reintroduced very shortly in the new Congress.

Under my Trade Reorganization Act, the USTR will become the Secretary of Trade. By elevating the USTR to the Secretary level and by consolidating trade leadership in one office—that of the Secretary of Trade—there should no longer be any question of who is boss when it comes to matters affecting U.S. trade interests. As Leon Panetta testified earlier this month at his confirmation hearing, "[i]f we are going to break out of the slump we are in, if we are going to get into the 21st century and be competitive with the Japanese and with the Germans and with the French and with the rest of the world, we have got to emphasize the trade side of this thing, and it seems to me part of that ought to look seriously at the element of reorganization and trying to centralize these agencies." I wholeheartedly agree and would urge the president-elect and my Senate colleagues to consider the issue of trade reorganization in the coming months.

PREPARED STATEMENT OF SENATOR JIM SASSER

Mr. Chairman and Members of the Committee, it is my distinct honor to introduce Mickey Kantor who has been nominated by President-elect Clinton to serve as United States Trade Representative.

I could have not been more pleased and proud when I heard of the President-elect's choice. Although he now lives in California, Mr. Kantor will always be a Tennessee native son. And the nation will soon find out what we have long known in Tennessee: Mickey Kantor is one of our very best.

Born in Nashville, Mr. Kantor attended Vanderbilt University and received his B.A. in 1961. After serving four years as a lieutenant in the United States Naval Reserve, Mr. Kantor earned his law degree from Georgetown University in 1968.

From his early days as a lawyer representing migrant workers, to his many political, civic and legal accomplishments, Mr. Kantor has always been drawn to the big challenge, and has succeeded.

He is a tenacious but disciplined advocate; make no mistake about that. However, more than anything else, Mr. Kantor is a consummate negotiator. Such talents are desperately needed for the critically-important position of United States Trade Representative.

With Mickey Kantor at the helm of the USTR, I believe the nation will get a coherent, sensible and effective approach to trade negotiations. He does not bring any ideological preconceptions to the job nor a fixed agenda. What Mr. Kantor *will bring* is a firm but fair search for balance and the middle ground. He will open markets, not close the door on them.

In addition to these formidable skills, let us not forget that Mr. Kantor has the full confidence of President-elect Clinton. When our trading partners sit down with the new USTR they will know that the President is behind him 100 percent. This will strengthen Mr. Kantor's hand immensely during the give-and-take of negotiations.

I don't envy what awaits Mr. Kantor. Some of the experts call it a "political mine field," and "a jungle full of wild animals" waiting to be fed. And that's just the danger lurking in Washington.

The United States is in the throes of a new world trade order driven by globalization. There are flash points such as GATT and the North American Free Trade Agreement. Nipping at Mr. Kantor's heels will be the Japan and China trade surpluses and a potential steel trade war.

The players and scenarios seem to change overnight. It is no longer simply a question of free trade versus protectionism. Today, it is a witch's brew spiked with new ingredients such as managed trade, reciprocity and environmental impact.

Mickey Kantor is ideally suited for the task at hand. He is a born mediator and negotiator whose insights, political savvy and well-honed skills will serve the nation admirably during these potentially rewarding yet dangerous times. I urge the distinguished Members of the Committee to favorably report Mr. Kantor's nomination.

COMMUNICATIONS

STATEMENT OF PRESIDENT-ELECT BILL CLINTON

We are entering a new era in which international trade will become even more important to us than ever before. More than ever, our own economic security depends upon how well we compete in the global markets. More than ever, the only way for a wealthy country to grow wealthier is to increase the volume of global economic trade and global growth.

The U.S. Trade Representative plays a central role in fighting for fair and open markets around the world, for expanded trade with our neighbors and across the globe. The new world of trade offers both opportunities and serious risks for our working people, our businesses, and our environment. We must negotiate further agreements with Mexico and Canada, complete the global GATT talks, and ensure that our trading partners play fair. This task requires a negotiator of consummate skill, someone with political savvy and the absolute confidence of the President.

I am proud to nominate to that job my good friend and trusted adviser, my former campaign chairman, Mickey Kantor. An eminent attorney at his Los Angeles law firm, a long-time fighter for the poor and the public interest, he founded South Florida Legal Services and served with Hillary on the board of the Legal Services Corporation during the Carter administration. He chaired the California Commission on Campaign Finance, which fought to reduce the role of special interest money in politics, and was a member of the commission which Warren Christopher chaired looking into the practices of the Los Angeles Police Department in the aftermath of the Rodney King beating.

As chairman of my campaign, he helped to hold us together during good times and bad. He skillfully negotiated for us in setting up the presidential debates, and most recently he chaired the group which pulled together our economic conference which, in my judgment, brought together a remarkable array of business, labor, academic, and community activists to point the way to our economic future. I am proud to nominate Mickey Kantor as the United States Trade Representative.

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